

S
353.549
P10R
1988

STATE DOCUMENTS COLLECTION

APR 3 1989

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620

Montana Public Employees' Retirement Board



Montana Travel Promotion Photo

Annual Financial Report
Fiscal Year Ended June 30, 1988

PLEASE RETURN

MONTANA STATE LIBRARY



3 0864 1001 5617 6

DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT DIVISION



STAN STEPHENS, GOVERNOR

(406) 444-3154

STATE OF MONTANA

1712 9TH AVENUE
HELENA, MONTANA 59620-0131

February 8, 1989

The Honorable Stan Stephens
Governor of Montana
State Capitol
Helena, MT. 59620

Dear Governor Stephens:

In accordance with 19-3-306 M.C.A., the Public Employees' Retirement Board is pleased to submit to you the Annual Report of the Public Employees' Retirement Division for the fiscal year ended June 30, 1988.

The report of the 43rd year of operation of the Public Employees' Retirement System is being presented with the Municipal Police Officers', Game Wardens', Sheriffs, Judges', Highway Patrolmen's and Firefighters' Unified Retirement Systems and the Volunteer Firefighters' Compensation Act.

The primary goal of the Public Employees' Retirement Board is to provide the best possible service to members and retirees in the most cost effective method. The Board will continually strive to maintain a level of service which is cost effective to all members, the employers and the tax payer.

Sincerely,

Lawrence P. Nachtsheim
LAWRENCE P. NACHTSHEIM
ADMINISTRATOR

LPN/mp

Digitized by the Internet Archive
in 2010 with funding from
Montana State Library

<http://www.archive.org/details/annualfinancialr1988mont>

TABLE OF CONTENTS

	Page
Retirement Board, Administrative Officials, and..... Professional Consultant	1
Introduction.....	3
Comparative Growth Summaries.....	6
Public Employees' Retirement System..... Financial Statements Notes to Financial Statements Statistical Section	15
Municipal Police Officers' Retirement System..... Financial Statements Notes to Financial Statements Statistical Section	27
Game Wardens' Retirement System..... Financial Statements Notes to Financial Statements Statistical Section	39
Sheriffs' Retirement System..... Financial Statements Notes to Financial Statements Statistical Section	51
Judges' Retirement System..... Financial Statements Notes to Financial Statements Statistical Section	65
Highway Patrolmen's Retirement System..... Financial Statements Notes to Financial Statements Statistical Section	77
Firefighters' Unified Retirement System..... Financial Statements Notes to Financial Statements Statistical Section	89
Volunteer Firefighters' Compensation Act..... Financial Statements Notes to Financial Statements Statistical Section	101
Appendix:	
A - Investment Policies.....	107
B - Actuarial Report.....	111

APPOINTIVE AND ADMINISTRATIVE OFFICIALS

PUBLIC EMPLOYEES' RETIREMENT BOARD

		<u>Term Expires</u>
Laurie Ekanger	Helena	1989
John L. Prebil	Helena	1990
E.J. McGreavey	Anaconda	1991
Robert L. Batista, President	Great Falls	1992
Troy McGee	Helena	1993
Mona Jamison, Vice President	Helena	1993

Administrative Staff

Larry Nachtsheim, Administrator

Paul Smietanka, Board Attorney

Linda King, Assistant Administrator

Joan Miller, Operations Bureau Chief

Beverly Brinkley, Benefits Bureau Chief

Michael O'Connor, Accountant

Professional Consultants

Hendrickson, Miller & Associates, Inc.

Actuarial Consultants
Helena, Montana

INTRODUCTION

History

This report, which marks 43 years of service to public employees of the State of Montana reflects the growth of the retirement system with 596 members in 1945 to eight retirement systems which include retirement systems for police, judges, game wardens, sheriffs, firefighters and highway patrolmen as well as extending PERS to all state, local government and non-certified school district employees. These Systems currently have a portfolio of over \$780 million, presently invested in U.S. Government Securities, U.S. Agency Issues, Corporate Securities and Equities. The monthly allowances paid totaled \$54,938,317 to 10,742 recipients as compared to \$49,408,994 paid to 10,265 recipients in 1987. One objective in providing this report is to illustrate the dynamics of the retirement systems. The abbreviations for the retirement systems administered by the Public Employees' Retirement Division are listed below:

Public Employees' Retirement System	(PERS)
Municipal Police Officers' Retirement System	(MPORS)
Game Wardens' Retirement System	(GWRS)
Sheriffs' Retirement System	(SRS)
Judges' Retirement System	(JRS)
Highway Patrolmen's Retirement System	(HPRS)
Firefighters' Unified Retirement System	(FURS)
Volunteer Firefighters' Compensation Act	(VFCA)

The purpose of the retirement systems is to provide retirement benefits to eligible retired employees or their beneficiaries in the most efficient manner. In addition to administering the retirement systems, PERD also collects delinquent Social Security payments from state and local government entities and disburses these collections to the federal government.

The Public Employees' Retirement Board composed of six members appointed by the Governor to five-year staggering terms is the administering body. The Board has exclusive control over administering the funds of the eight retirement systems. Staffing and other administrative functions are the responsibility of the Department of Administration.

This year's report is divided into eight sections, a section for each fund administered by the Public Employees' Retirement Division. Included for each

fund is the Financial report with a table and chart reflecting revenues by source for the last 10 fiscal years and illustrating the growing role of investment income and the Investment Section containing a listing of the investments. The Actuarial Section includes a letter from PERD's actuary, Alton Hendrickson, explains the assumptions and the condition of each fund.

Accounting System

The accrual basis of accounting is used to record the assets, liabilities, revenues and expenses of the eight systems of the Public Employees' Retirement Division. Revenues are recognized in the accounting period in which they are earned and measureable, without regard to date of collection, and expenses are recorded when incurred, regardless of when payment is made.

Revenues

The fiscal year 1988 revenue from employer and employee contributions totaled \$67,064,873 for all systems. This amount is \$967,282 less than the total amount received in fiscal year 1987 which was \$68,032,155.

Investment income for fiscal year 1988 was \$76,181,789, an increase of \$2,119,323 above fiscal year 1987. Overall, the eight funds revenues increased by \$1,029,487 over fiscal year 1987.

Expenses

Benefit payments for fiscal year 1988 were \$54,938,317 or \$5,529,323 greater than fiscal year 1987. The remaining expenses were \$696,230 for administration \$9,591,337 for refunds of employee contributions, and \$378,483 for investments, and \$388,606 for employer refunds, medical and rental expenses.

Funding and Revenues

The eight systems are funded through contributions from employees, employers, investment income, fines and court fees. The general financial objective of the eight systems is to establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation. According to the actuarial valuation for June 30, 1988, the "funded condition for the systems is exceptionally strong".

Professional Services

Professional services are provided to PERD by consultants selected by the Public Employees' Retirement Board to aid in efficient and effective management of the Systems. Actuarial services are provided by Hendrickson, Miller & Associates. PERD's investments are managed by the Board of Investments, as allowed by Statute. The Treasury Bureau is custodian of the retirement funds. The Department of Administration provides legal counsel for the Public Employees' Retirement Board.

Acknowledgements

This report is the result of the combined efforts of the Division's staff under the direction of the Retirement Board. Its purpose is to provide complete and reliable information as a basis for making management decisions, as a means for determining compliance with legal provisions, and responsible stewardship over the assets contributed by the members and their employers.

COMPARATIVE SUMMARY OF PENSION PAYMENTS

(By Fiscal Year)

(In thousands of dollars)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
PERS	14,980	17,682	19,373	23,068	25,036	29,135	31,238	36,596	39,092	43,899
MPORS	2,021	2,160	2,301	2,460	2,743	2,926	3,151	3,464	3,697	3,990
GWRS	167	183	217	222	278	299	301	383	409	432
SRS	134	166	154	184	205	223	242	306	384	440
JRS	147	212	220	234	329	410	417	437	436	447
HPRS	428	481	592	715	753	806	843	974	1,159	1,388
FURS				2,546	2,748	2,996	3,217	3,485	3,730	4,013
VFCA						401	268	508	502	328
TOTAL	17,877	20,884	22,857	29,429	32,092	37,196	39,677	46,153	49,409	54,937

COMPARATIVE SUMMARY OF ACTIVE MEMBERSHIP

(By Fiscal Year)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
PERS	29,677	29,109	27,573	26,061	25,857	26,026	26,520	26,767	27,418	27,191
MPORS	426	450	443	434	445	435	436	436	436	427
GWRS	90	89	88	90	97	85	85	85	84	86
SRS	522	528	554	575	584	537	539	582	530	509
JRS	34	33	37	37	40	41	42	42	42	42
HPRS	224	213	195	204	219	197	198	201	194	187
FURS				454	451	395	398	403	442	429
TOTAL	30,973	30,422	28,890	27,855	27,693	27,716	28,218	28,516	29,146	28,871

PERS - Public Employees' Retirement System

JRS - Judges' Retirement System

MPORS - Municipal Police Officers' Retirement System

HPRS - Highway Patrolmen's Retirement System

GWRS - Game Wardens' Retirement System

FURS - Firefighters' Unified Retirement System

SRS - Sheriffs' Retirement System

VFCA - Volunteer Firefighters' Compensation Act

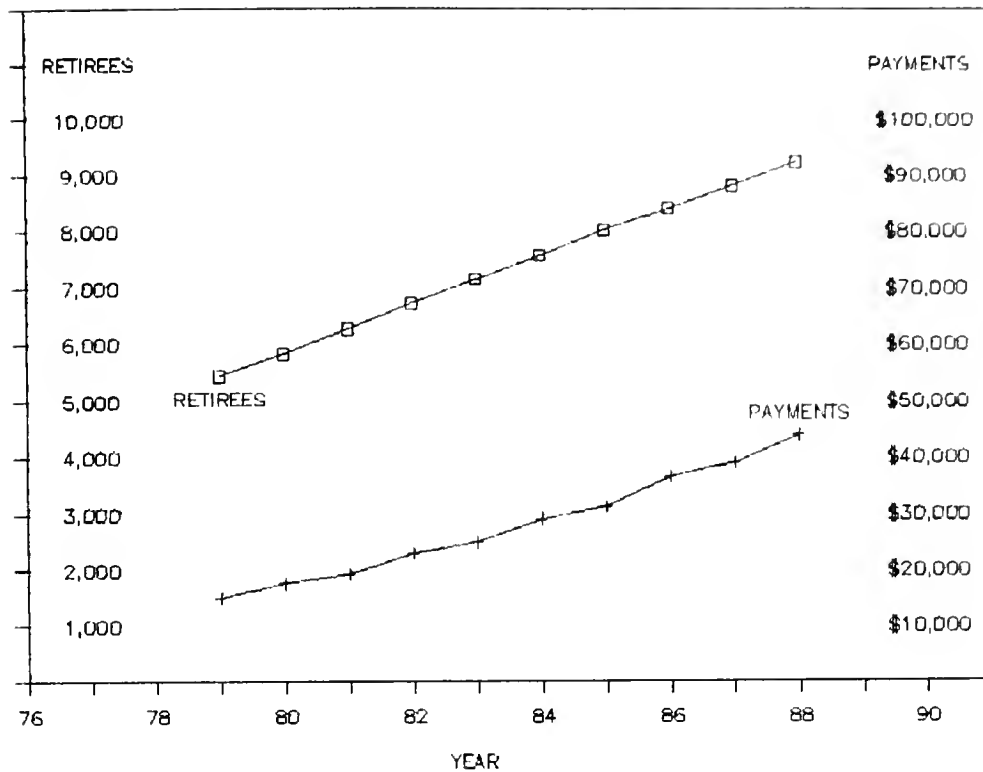
COMPARATIVE SUMMARY OF RETIREES

(Fiscal Year '88)

	BEG BALANCE	ADD RETIRES	DECEASED RETIRES	ENDING BALANCE
PERS	8,802	664	(242)	9,224
MPORS	381	24	(5)	400
GWRS	46	4	0	50
SRS	72	2	0	74
JRS	22	0	(1)	21
HPRS	155	9	0	164
FURS	365	11	(11)	365
VFCA	444	35	(13)	444
TOTAL	10,265	749	(272)	10,742

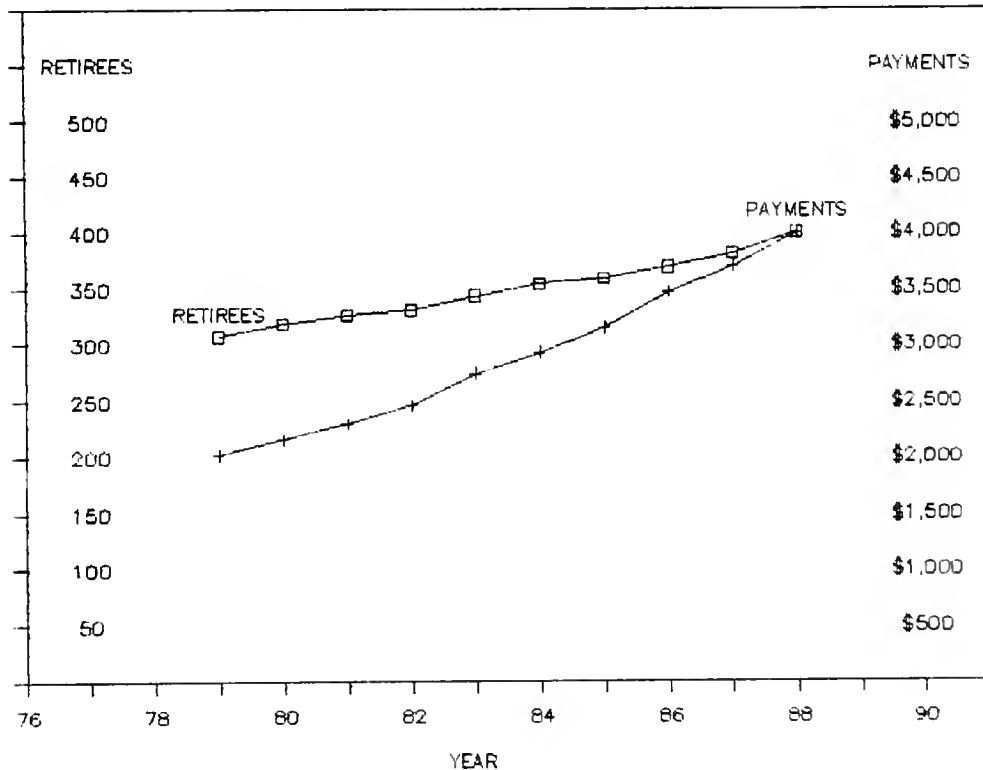
PERS GROWTH AND COMPARISON

1979 TO 1988 (In thousands of dollars)



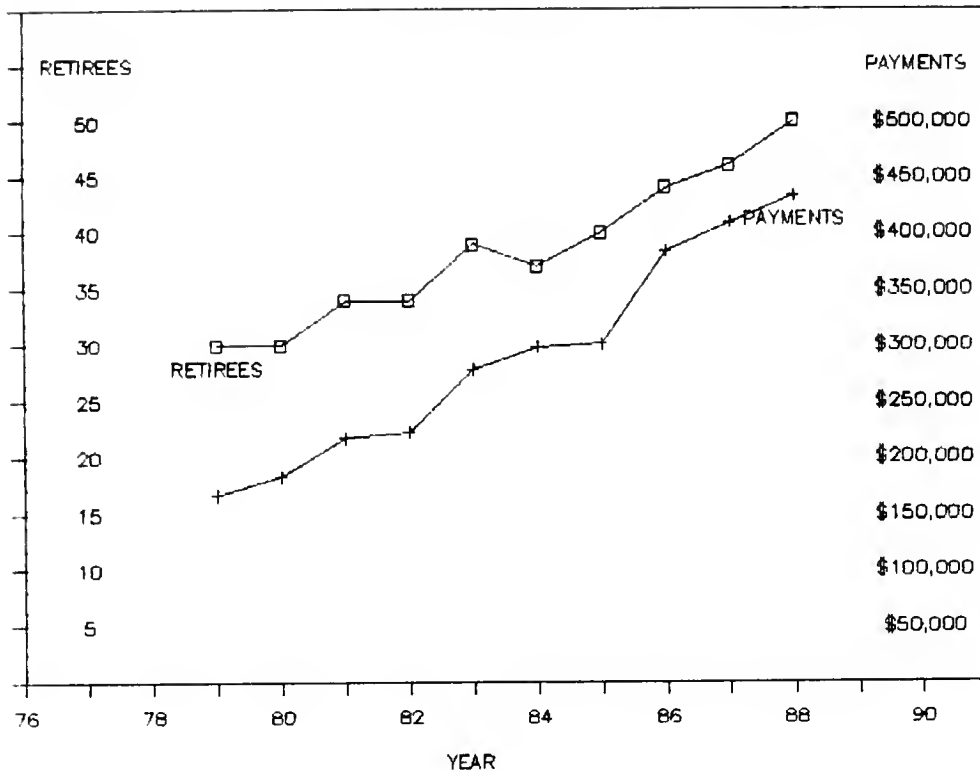
POLICE GROWTH AND COMPARISON

1979 TO 1988 (In thousands of dollars)



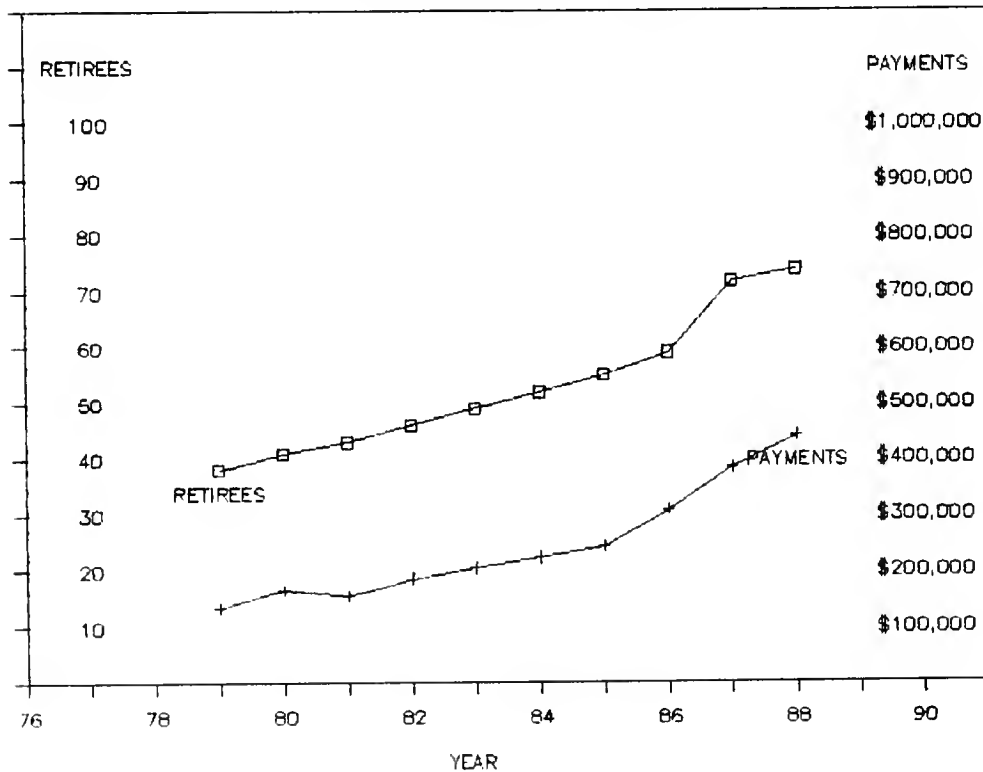
GAME WARDEN GROWTH AND COMPARISON

1979 TO 1988



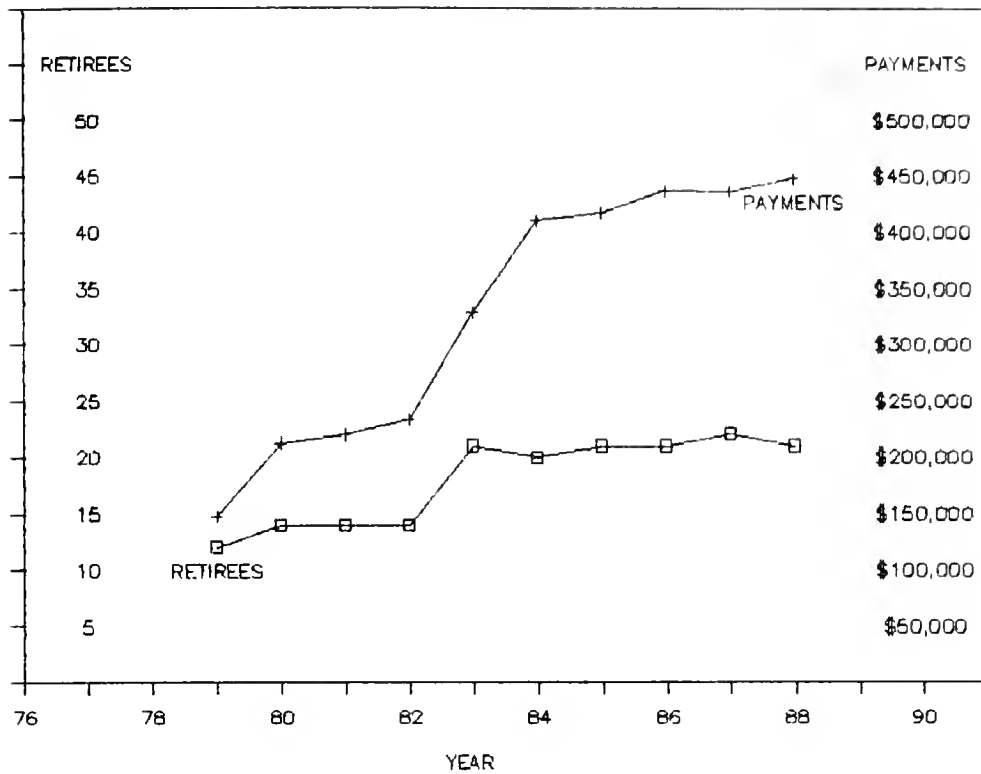
SHERIFFS' GROWTH AND COMPARISON

1979 TO 1988



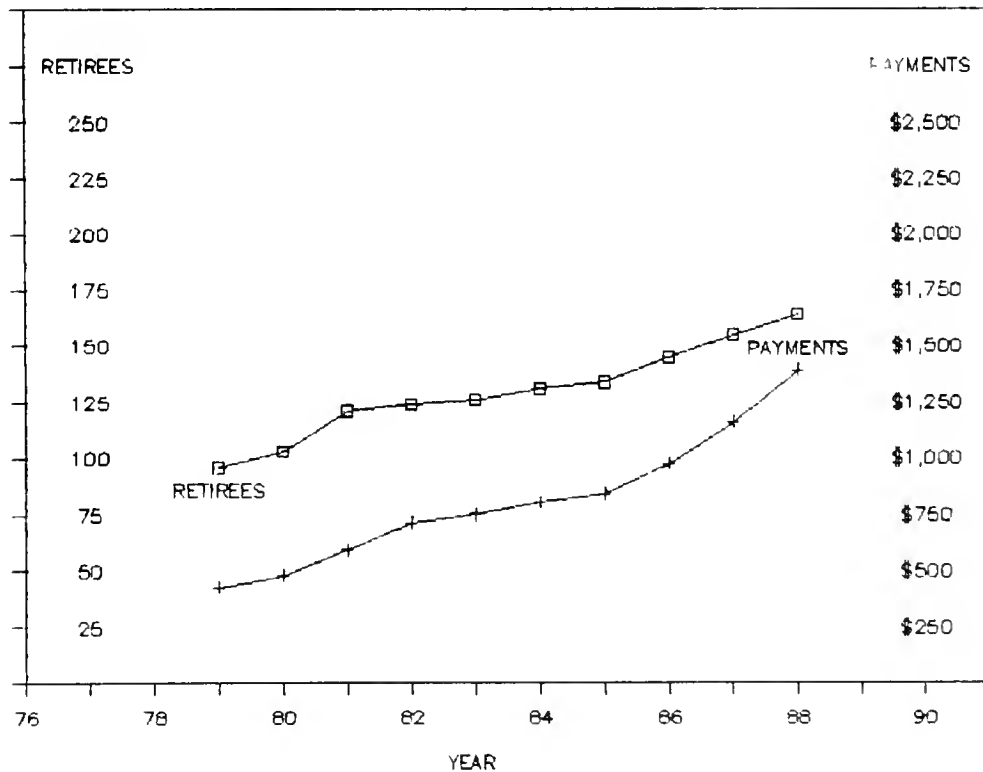
JUDGES' GROWTH AND COMPARISON

1979 TO 1988



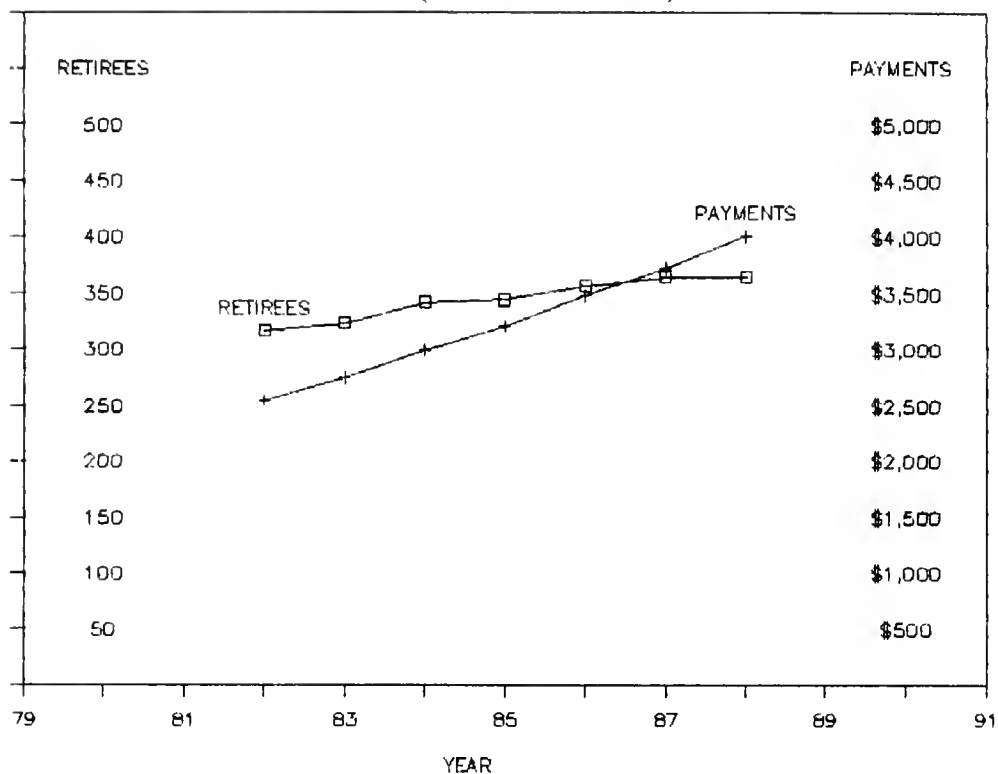
HIGHWAY PATROLMEN'S GROWTH AND COMPARISON

1979 TO 1988 (In thousands of dollars)



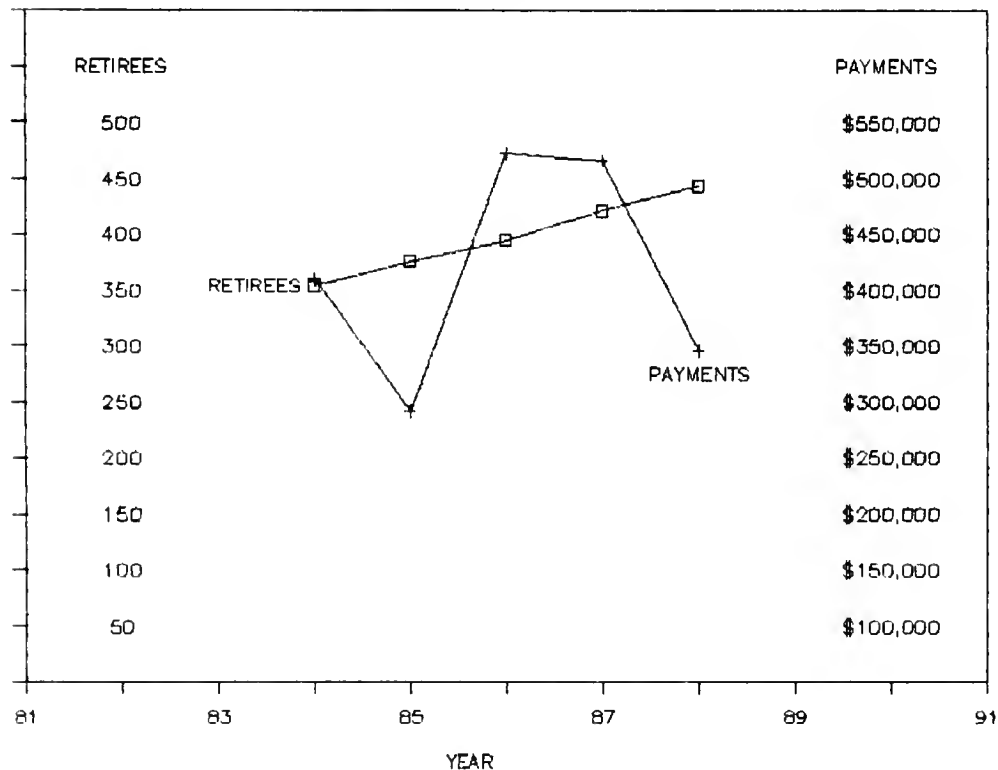
FIREFIGHTERS' GROWTH AND COMPARISON

1979 TO 1988 (In thousands of dollars)



VOLUNTEER FIREFIGHTERS' COMPARISON

1979 TO 1988



Financial Statements

Notes to Financial Statements

Statistical Section



Montana Travel Promotion Photo



PUBLIC EMPLOYEES '
RETIREMENT SYSTEM

THIS PAGE INTENTIONALLY LEFT BLANK

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BALANCE SHEET
JUNE 30, 1988

ASSETS

CASH IN TREASURY	1,495,776
INTEREST RECEIVABLE	13,523,269
ACCOUNTS RECEIVABLE	1,920,579
EQUIPMENT NET OF ACCUMULATED DEPRECIATION	82,271
INTANGIBLE ASSETS	8,689
MORTGAGES	63,715,315
FEDERAL SECURITIES	55,041,444
CORPORATE SECURITIES	433,626,265
SHORT TERM INVESTMENTS	4,691,126
INTEREST PURCHASED	514,374
SHORT TERM INVESTMENT POOL	26,145,400
COMMON STOCK	61,766,857
SECURITIES ON LOAN	19,141,062
PERS LAND AND BUILDING NET OF ACC DEPRECIATION	116,614
DEFERRED GAINS AND LOSSES	11,755,307

TOTAL ASSETS	\$693,544,348

LIABILITIES

ACCOUNTS PAYABLE	573,038
DEFERRED REVENUE	544
UNACUMULATED MORTGAGE DISCOUNT	179,545
COMPENSATED ABSENCES	46,873

NET ASSETS AVAILABLE FOR BENEFITS	\$692,744,348
	=====

FUND BALANCE

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO RETIREES AND BENEFICIARIES	383,858,076
ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO OTHER TERMINATED EMPLOYEES	9,260,727
ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS FOR ACTIVE EMPLOYEES:	
MEMBERS CONTRIBUTIONS	173,369,954
MEMBERS INTEREST	83,263,245
EMPLOYER-FINANCED VESTED	270,575,526
EMPLOYER-FINANCED NONVESTED	27,765,497

TOTAL PENSION BENEFIT OBLIGATION	\$948,093,025
UNFUNDED PENSION BENEFIT OBLIGATION	(255,348,677)

TOTAL FUND BALANCE	\$692,744,348
	=====

The notes to the financial statements are an integral part of this statement

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1988 AND JUNE 30, 1987

	1988	1987
	-----	-----
REVENUES		

RETIREMENT CONTRIBUTIONS		
MEMBER	26,515,756	26,950,278
EMPLOYER	27,026,089	27,748,118
INTEREST RESERVE BUYBACK	34,974	32,119
MEMBERSHIP FEES	25,014	25,721
INVESTMENT INCOME	58,432,359	58,100,180
RENTAL RECEIPTS	22,890	22,890
COMMON STOCK DIVIDENDS	6,146,847	5,253,321
	-----	-----
TOTAL REVENUES	\$118,203,929	\$118,132,627
	=====	=====
EXPENSES		

BENEFIT PAYMENTS	43,899,458	39,092,230
REFUND OF MEMBER CONTRIBUTIONS	6,933,926	6,665,923
INTEREST ON REFUNDS	2,052,449	1,761,730
INVESTMENT EXPENSE	334,760	157,813
RENT EXPENSE	8,341	8,013
PERSONAL SERVICES	448,082	491,671
CONTRACTED SERVICES	145,418	166,457
COMMUNICATIONS	44,979	45,167
RENTALS	15,313	11,637
MISCELLANEOUS	43,793	39,631
EXPENDABLE EQUIPMENT	5,002	54,828
DEPRECEATION/AMORTIZATION	12,472	11,733
EMPLOYER REFUND	308,597	119,925
	-----	-----
TOTAL EXPENSES	\$54,252,591	\$48,626,758
	=====	=====
OTHER FINANCING SOURCES - (USES)		

ADMIN FEE TRANSFER IN	54,879	85,418
CAPITALIZE EQUIPMENT	58,395	
PRIOR YEAR ADJUSTMENTS	53,751	44,798
	-----	-----
EXCESS OF REVENUES OVER EXPENSES	64,118,364	69,636,085
FUND BALANCE BEGINNING OF YEAR	628,625,984	558,989,899
	-----	-----
FUND BALANCE END OF PERIOD	\$692,744,347	\$628,625,984
	=====	=====

The notes to the financial statements are an integral part of this statement

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

RESOURCES PROVIDED BY:

FROM OPERATIONS:

EXCESS REVENUES OVER EXPENSES	\$64,118,364
ITEMS NOT REQUIRING RESOURCES CURRENTLY:	
DEPRECIATIONS/AMORTIZATION EXPENSE	16,888
PROCEEDS FROM SALE OF EQUIPMENT	14,500
PRIOR YEAR ADJUSTMENT	22,786

TOTAL RESOURCES PROVIDED	\$64,172,538
	=====

RESOURCES USED BY:

CURRENT YEAR ACQUISITION OF EQUIPMENT	72,075
LOSS ON SALE OF EQUIPMENT	21,769
NET INCREASE IN WORKING CAPITAL	64,078,694

TOTAL RESOURCES USED	\$64,172,538
	=====

ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL

	YEAR ENDED JUNE 30		INCREASE
	1988	1987	(DECREASE)

CURRENT ASSETS:			
CASH	1,495,776	763,116	732,660
ACCRUED INTEREST	13,523,269	11,551,761	1,971,508
ACCRUED CONTRIBUTIONS	1,920,579	3,744,518	(1,823,939)
DEFERRED GAINS AND LOSSES	11,755,307	10,922,212	833,095
INVESTMENTS:			
MORTGAGES	63,715,315	54,810,155	8,905,160
FEDERAL SECURITIES	55,041,444	64,567,844	(9,526,400)
CORPORATE SECURITIES	433,626,265	322,808,469	110,817,796
SHORT TERM INVESTMENTS	4,691,126	409,501	4,281,625
INTEREST PURCHASED	514,374	392,110	122,264
SHORT TERM INVESTMENT POOL	26,145,400	61,356,800	(35,211,400)
COMMON STOCK	61,766,857	58,767,687	2,999,170
SECURITIES ON LOAN	19,141,062	40,018,509	(20,877,447)
ESD SECURITIES	0.00	15,690.42	(15,690)

TOTAL CURRENT ASSETS	\$693,336,774	\$630,128,372	\$63,208,402
CURRENT LIABILITIES:			
ACCRUED EXPENSES	573,582	1,452,262	(878,680)
UNACUMULATED MORTGAGE DISCOUNT	179,545	171,157	8,388

TOTAL CURRENT LIABILITIES	753,127	1,623,419	(870,292)
WORKING CAPITAL	\$692,583,647	\$628,504,953	\$64,078,694
	=====		

The notes to the financial statements are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 1988

Public Employees' Retirement System

A. Description of Plan

1. Plan Membership

The Public Employees' Retirement System is a state wide retirement plan for State, local government and school districts (non-certified) employees. Employer and employee membership data follows:

<u>Employer Members</u>	<u>June 30, 1988</u>	<u>June 30, 1987</u>
State	55	55
County	55	55
Cities/Towns	78	78
Colleges/Universities	6	6
School Districts	210	206
Other	<u>58</u>	<u>54</u>
Total	<u>462</u>	<u>454</u>

Employee Members

Active

State	10,381	10,184
County	5,390	5,602
Cities/Towns	2,461	2,527
Colleges/Universities	2,249	2,257
School Districts	5,921	5,814
Other	<u>789</u>	<u>1,034</u>
Total Active	<u>27,191</u>	<u>27,418</u>

Inactive

Vested	377	354
Non Vested	<u>10,137</u>	<u>9,922</u>
Total Inactive	<u>10,514</u>	<u>10,276</u>

2. Plan Benefits

(a) Pension Benefits

A member may retire with a service allowance after completing five years of credited service and attaining the minimum service retirement age of 60, early retirement at age 50. The retirement allowance, payable monthly for life is calculated on the following formula:

1/60 times final average salary times
number of years of creditable service which
is equal to 1.67% of final average salary
per year.

A member's final average salary is the average of the member's monthly pay during the period of 36 consecutive months of credited service producing the highest monthly average. A member may retire with an early allowance (computed in the same manner as an age and service allowance, but reduced to reflect the earlier retirement after completing five years' credited service and attaining age 50).

(b) Deferred Allowance

A member leaving covered employment before attaining early retirement age but after completing five years' credited service becomes eligible for a deferred allowance provided the member does not withdraw the accumulated contributions. If the member should become deceased before he reaches age 50 the beneficiary is entitled to a refund of all accumulated contributions and interest.

(c) Disability Benefit

A member with five or more years of credited service who becomes totally and permanently disabled receives a disability allowance. The allowance is calculated as follows:

- 1) for members having five to seventeen years of service receives 25% of final average salary
- 2) for members with more than seventeen years of service, they receive 90% of a regular retirement calculated by the same formula as a normal retirement

(d) Death Benefit

Upon the death of a member, eligible surviving dependents are entitled to,

- 1) a lump sum death benefit, which consists of 1 month's salary

for each year of service to a maximum of six monthly salary, plus the contributions and accumulated interest on deposit, or

2) on completion of 5 years credited service for the member, the beneficiary may elect a monthly annuity based on salary and service of the member.

(e) **Benefit Enhancements after Retirement**

Benefit enhancements are granted by the legislatures on an ad-hoc basis.

3. Funding Requirements

(a) **Member Contributions**

Member contribution rates are established by statute at 6 percent of member's total compensation and are deducted from member's salary and remitted by participating employers. A member's account is established for member's contributions and earning allocations until a retirement request or a refund for a termination is processed. If a member leaves covered employment or dies before attaining five year's service credit, the accumulated contributions and interest are refunded to the member or designated beneficiary.

(b) **Employers Contributions**

Each employer contributes 6.417 percent of gross wages as established by statute.

B. Actuarial Cost Method

Refer to the Actuarial Section as actuarial cost methods are standard for all funds.

C. Funding Requirement Determinations and Actual Contributions

Amounts contributed were in accordance with actuarially computed funding requirement determinations. Employer and employee contributions for the year totaled \$53,601,833.

D. Summary of Significant Accounting and Financial Reporting Policies

1. Method of Accounting

Refer to Appendix A, as accounting policies are standard for all funds.

2. Valuation of Investments

The following is the listing of investments at fiscal year end:

<u>TYPE</u>	<u>COST</u>	<u>MARKET</u>
STIP	\$ 26,145,400	\$ 26,145,400
MONT-COMP:	61,766,857	126,875,921

SECURITIES:

Federal	55,041,444	59,880,886
Corporate	433,626,265	429,671,556
Short Term	4,691,126	4,449,625
Mortgages	63,715,315	63,715,315

OTHER INVESTMENTS:

PERS Building	183,192	200,000
Land	25,000	30,000
Accumulated Depreciation (91,578)		
Total Other	<u>116,614</u>	<u> </u>
Total Investments	\$ <u><u>645,177</u></u>	\$ <u><u>710,968,703</u></u>

See Appendix A for investment policies as policies are standard for all funds.

PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

MEMBERSHIP

FISCAL YEAR	ACTIVE MEMBERS	INACTIVE MEMBERS	TOTAL
06/30/79	29,677	9,446	39,123
06/30/80	29,109	10,390	39,499
06/30/81	27,573	11,278	38,851
06/30/82	26,061	9,275	35,336
06/30/83	25,857	9,702	35,559
06/30/84	26,026	10,031	36,057
06/30/85	26,520	9,715	36,235
06/30/86	26,767	10,462	37,229
06/30/87	27,418	10,276	37,694
06/30/88	27,191	10,514	37,705

RETIRED MEMBERS AND BENEFIT RECIPIENTS

FISCAL YEAR	RETIREMENT	DISABILITY	SURVIVOR	TOTAL
06/30/79	4,668	623	156	5,447
06/30/80	5,051	628	158	5,837
06/30/81	5,459	649	170	6,278
06/30/82	5,913	647	173	6,733
06/30/83	6,343	634	181	7,158
06/30/84	6,723	655	190	7,568
06/30/85	7,176	654	195	8,025
06/30/86	7,544	670	192	8,406
06/30/87	7,893	704	205	8,802
06/30/88	8,252	762	210	9,224

PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

CONTRIBUTION RATES

FISCAL YEAR	EMPLOYEE	EMPLOYER
1979-1981	6%	6.2%
1982-1983	6%	6.32%
1984-1988	6%	6.417%

COMPARATIVE SUMMARY OF REVENUE BY SOURCE AND EXPENSES BY TYPE

REVENUES BY SOURCE

FISCAL YEAR	MEMBER CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	INVESTMENT INCOME	TOTAL
06/30/79	16,894,875	16,983,508	16,419,001	50,297,384
06/30/80	18,067,795	17,986,908	19,356,770	55,411,473
06/30/81	19,687,595	19,716,942	23,607,248	63,011,785
06/30/82	21,192,098	21,793,019	31,650,996	74,636,113
06/30/83	22,671,919	23,193,749	35,888,201	81,753,869
06/30/84	23,835,463	24,816,532	41,230,396	89,882,391
06/30/85	25,396,735	26,416,122	48,275,253	100,088,110
06/30/86	26,402,314	27,959,431	58,592,716	112,954,461
06/30/87	26,950,278	27,780,197	63,402,152	118,132,627
06/30/88	26,550,730	27,051,103	64,602,096	118,203,929

EXPENSES BY TYPE

FISCAL YEAR	BENEFITS	REFUNDS	ADMIN EXPENSES*	OTHER**
06/30/79	14,979,572	7,296,920	520,689	(6,759,653)
06/30/80	17,682,546	6,360,685	583,444	(805,404)
06/30/81	19,372,966	6,970,900	807,558	160,414
06/30/82	23,068,413	8,295,763	563,065	(466,854)
06/30/83	25,036,076	6,230,042	604,641	88,632
06/30/84	29,134,512	6,838,769	715,150	(434,424)
06/30/85	31,237,495	8,428,750	669,816	122,372
06/30/86	36,595,794	8,195,090	767,312	2,917,140
06/30/87	39,092,230	8,547,578	901,532	(44,798)
06/30/88	43,899,458	8,986,375	944,886	254,846

*Includes Investment Expense

**Includes Prior Year Adjustments, and FY 1979 has an adjustment to full accrual accounting system

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Additions to Net Assets Available for Benefits

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/79	50,297,384	16,037,528	34,259,856	220,992,360
06/30/80	55,411,473	23,821,271	31,590,202	252,582,562
06/30/81	63,011,785	27,311,838	35,699,947	288,282,509
06/30/82	74,636,113	31,460,387	43,175,726	331,458,235
06/30/83	81,753,869	31,959,391	49,794,478	381,252,713
06/30/84	89,882,391	36,254,007	53,628,384	434,881,097
06/30/85	100,088,110	40,458,433	59,629,677	494,510,774
06/30/86	112,954,461	48,475,336	64,479,125	558,989,899
06/30/87	118,132,627	48,496,542	69,636,085	628,625,984
06/30/88	118,203,929	54,085,565	64,118,364	692,744,348

Comparative Summary of Net Assets Available for Benefits and Total Actuarial Present Value of Total Benefits (in millions of dollars)

FISCAL	NET ASSETS	ACTUARIAL PV VALUE OF	PERCENT
06/30/80	252.6	741.7	34.1
06/30/82	331.5	932.1	35.6
06/30/84	434.9	1,098.0	39.6
06/30/86	558.9	1,202.1	46.5
06/30/88	692.7	1,336.3	51.8

Looking at the amount of the actuarial present value of benefits can be misleading. Expressing net assets available for benefits as a percentage of the actuarial present value of benefits provides one indication of the extent to which a retirement system is funded. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker, the greater this percentage, the stronger the system.

MONTANA POLICE OFFICERS '
RETIREMENT SYSTEM

THIS PAGE INTENTIONALLY LEFT BLANK

MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM
BALANCE SHEET
JUNE 30, 1988

ASSETS

CASH IN TREASURY	27,855
INTEREST RECEIVABLE	620,286
ACCOUNTS RECEIVABLE	2,721,779
FEDERAL SECURITIES	3,366,393
LOCAL GOV'T SECURITIES	50,000
CORPORATE SECURITIES	18,426,988
SHORT TERM INVESTMENTS	169,340
INTEREST PURCHASED	1,242
SHORT TERM INVESTMENT POOL	448,700
COMMON STOCK	1,896,768
SECURITIES ON LOAN	455,573
DEFERRED GAINS AND LOSSES	252,806

TOTAL ASSETS	\$28,437,730

LIABILITIES

ACCOUNTS PAYABLE	13,926
DEFERRED REVENUE	41

NET ASSETS AVAILABLE FOR BENEFITS	\$28,423,763
	=====

FUND BALANCE

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO RETIREES AND BENEFICIARIES	35,018,365
ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO OTHER TERMINATED EMPLOYEES	4,190
ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS FOR ACTIVE EMPLOYEES:	
MEMBERS CONTRIBUTIONS	4,561,763
MEMBERS INTEREST	2,003,052
EMPLOYER-FINANCED VESTED	19,185,807
EMPLOYER-FINANCED NONVESTED	2,475,720

TOTAL PENSION BENEFIT OBLIGATION	\$63,248,897
UNFUNDED PENSION BENEFIT OBLIGATION	(34,825,134)

TOTAL FUND BALANCE	\$28,423,763
	=====

The notes to the financial statements are an integral part of this statement

MUNICIPAL POLICE OFFICERS' RETIREMENT DIVISION
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1988 AND JUNE 30, 1987

	1988	1987
	-----	-----
REVENUES		

RETIREMENT CONTRIBUTIONS		
MEMBER	671,626	638,083
EMPLOYER	1,254,341	1,232,552
STATE	2,577,545	2,499,136
INTEREST RESERVE BUYBACK		4,941
INVESTMENT INCOME	2,433,082	2,424,769
COMMON STOCK DIVIDENDS	126,889	94,328
	-----	-----
TOTAL REVENUES	\$7,063,483	\$6,893,809
	=====	=====
 EXPENSES		

BENEFIT PAYMENTS	3,989,794	3,696,827
REFUND OF MEMBER CONTRIBUTIONS	78,669	45,301
INTEREST ON REFUNDS	15,735	379
ADMINISTRATIVE EXPENSE	13,927	20,719
INVESTMENT EXPENSE	8,922	5,525
EMPLOYER REFUND	6,220	
	-----	-----
TOTAL EXPENSES	\$4,113,267	\$3,768,751
	=====	=====
 OTHER FINANCING SOURCES - (USES)		

PRIOR YEAR ADJUSTMENTS	(6,075)	
	-----	-----
 EXCESS OF REVENUES OVER EXPENSES	2,944,141	3,125,058
 FUND BALANCE BEGINNING OF YEAR	25,479,622	22,354,564
	-----	-----
FUND BALANCE END OF PERIOD	\$28,423,763	\$25,479,622
	=====	=====

The notes to the financial statements are an integral part of this statement

MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

RESOURCES PROVIDED BY:

FROM OPERATIONS:

EXCESS REVENUES OVER EXPENSES	\$2,944,141
TOTAL RESOURCES PROVIDED	\$2,944,141

RESOURCES USED BY:

NET INCREASE IN WORKING CAPITAL	\$2,944,141
TOTAL RESOURCES USED	\$2,944,141

ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL

	YEAR ENDED JUNE 30 1988	1987	INCREASE (DECREASE)
CURRENT ASSETS:			
CASH	27,855	192,950	(165,095)
ACCRUED INTEREST	620,286	588,586	31,700
ACCRUED CONTRIBUTIONS	2,721,779	2,647,799	73,980
DEFERRED GAINS AND LOSSES	252,806	158,723	94,083
INVESTMENTS:			
LOCAL GOV'T SECURITIES	50,000	50,000	0
FEDERAL SECURITIES	3,366,393	2,561,429	804,964
CORPORATE SECURITIES	18,426,988	15,449,285	2,977,703
SHORT TERM INVESTMENTS	169,340	0	169,340
INTEREST PURCHASED	1,242	7,211	(5,969)
SHORT TERM INVESTMENT POOL	448,700	196,400	252,300
COMMON STOCK	1,896,768	1,397,561	499,207
SECURITIES ON LOAN	455,573	2,250,603	(1,795,030)
TOTAL CURRENT ASSETS	\$28,437,730	\$25,500,547	\$2,937,183
CURRENT LIABILITIES:			
ACCRUED EXPENSES	13,926	20,884	(6,958)
DEFERRED REVENUE	41	41	0
TOTAL CURRENT LIABILITIES	13,967	20,925	(6,958)
WORKING CAPITAL	\$28,423,763	\$25,479,622	\$2,944,141

The notes to the financial statements are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 1988

Municipal Police Officers' Retirement System

A. Description of Plan

1. Plan Membership

The Municipal Police Officers' Retirement System is a state wide retirement plan for first and second class cities and those other cities that wish to adopt the Plan. Employer and employee membership data follows:

Active Employee Members

<u>Employer Members</u>	<u>June 30, 1988</u>	<u>June 30, 1987</u>
Anaconda	16	17
Baker	2	2
Billings	100	102
Bozeman	26	26
Butte	40	41
Glasgow	8	10
Glendive	9	10
Great Falls	57	62
Havre	15	16
Helena	38	35
Kalispell	21	21
Lewistown	11	11
Livingston	10	9
Miles City	15	15
Missoula	58	58
Plains	<u>1</u>	<u>1</u>
Total Active	<u>427</u>	<u>436</u>

Inactive Employee Members

Vested	0	0
Non-Vested	<u>12</u>	<u>12</u>
Total Inactive	<u>12</u>	<u>12</u>

2. Plan Benefits

(a) Pension Benefits

A member hired after July 1, 1975 may retire with a service allowance after completing twenty years of credited service and attaining the minimum service retirement age of 50. A member employed on July 1, 1975, may retire with 20 years at any age. The retirement allowance is payable monthly for life and must commence on the first day of the month following the member's last day of membership service. A police officer not electing to serve additional years receives a retirement allowance equal to one half his final average salary, which is 2.5% of final average salary for each year of service. If a member has additional service, the allowance will include 1% of the allowance for each year of additional service to a maximum of 60% of the final average salary.

A member's final average salary is the average of the member's monthly pay during the period of 36 months of active service, or over the period of membership of less than 36 months.

(b) Deferred Allowance

A member leaving covered employment before attaining retirement age becomes eligible for a complete refund of all employee accumulated contributions. Interest is not refunded, unless a member has completed 10 years of service. If the member should become deceased before retirement, the surviving spouse or dependent children will receive a monthly allowance.

(c) Disability Benefit

A member who becomes totally and permanently disabled receives a disability allowance regardless of length of service. The allowance is calculated the same method as a regular retirement.

(d) Death Benefit

Upon the death of an active member, eligible surviving dependents are entitled to monthly benefits equal to one half the member's final average salary.

(e) Benefit Changes after Retirement

Benefit changes are granted by the legislature on an ad-hoc basis for members retiring after July 1, 1985. For members retiring between July 1, 1975 and July 1, 1985, the monthly allowance must be one half of the salary of a newly confirmed police officer.

A supplemental benefit is paid to members or beneficiaries who were receiving payments prior to July 1, 1975. The supplemental benefit is the amount needed to enhance benefits to be equal to one half of a newly confirmed police officer.

The fund is reimbursed by the State Auditor for all supplemental benefits.

3. Funding Requirements

(a) Member Contributions

Member contribution rates are established by statute at 6 percent (members hired prior to July 1, 1979) and 7.5 percent (members hired after July 1, 1979) of total payroll and are deducted from member's salary and remitted by participating employers. A member's account is established for member's contributions and earning allocations until a retirement request or a refund for a termination is processed.

(b) Employers Contributions

Each employer contributes 13.02 percent of total monthly compensation. Contributions are filed with the payroll reports by the 15th of the following month.

(c) State Contributions

The State contributes 15.06 percent of total annual compensation plus any amounts required to fund excess past service liabilities as established by statute. These payments are to be made annually but not later than September 1, from the premium tax fund.

B. Actuarial Cost Method

Refer to the Actuarial Section as actuarial cost methods are standard for all funds.

C. Funding Requirement Determinations and Actual Contributions

Amounts contributed were in accordance with actuarially computed funding requirement determinations. Employer, employee and State contributions for the year totaled \$4,503,512.

D. Summary of Significant Accounting and Financial Reporting Policies

1. Method of Accounting

Refer to Appendix A, as accounting policies are standard for all funds.

2. Valuation of Investments

The following is the listing of investments at fiscal year end:

<u>TYPE</u>	<u>COST</u>	<u>MARKET</u>
STIP	\$ 448,700	\$ 448,700

<u>TYPE</u>	<u>COST</u>	<u>MARKET</u>
Mont-Comp	1,896,768	2,764,135
SECURITIES:		
Federal	3,366,393	3,483,252
Corporate	18,426,988	18,435,430
Short Term	169,340	161,840
OTHER INVESTMENTS:		
Local Gov't Sec	<u>50,000</u>	<u>50,000</u>
Total Investments	<u>\$24,358,189</u>	<u>\$25,343,357</u>

See Appendix A for investment policies as policies are standard for all funds.

MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

MEMBERSHIP

FISCAL YEAR	ACTIVE MEMBERS	INACTIVE MEMBERS	TOTAL
06/30/79	426	4	430
06/30/80	450	4	454
06/30/81	443	6	449
06/30/82	434	5	439
06/30/83	445	5	450
06/30/84	435	5	440
06/30/85	436	7	443
06/30/86	436	7	443
06/30/87	436	12	448
06/30/88	427	12	439

RETIRED MEMBERS AND BENEFIT RECIPIENTS

FISCAL YEAR	RETIREMENT	DISABILITY	SURVIVORS	TOTAL
06/30/79	216	65	27	308
06/30/80	225	69	25	319
06/30/81	232	71	24	327
06/30/82	235	74	22	331
06/30/83	240	79	24	343
06/30/84	246	82	26	354
06/30/85	250	84	25	359
06/30/86	258	86	25	369
06/30/87	268	88	25	381
06/30/88	284	89	27	400

CONTRIBUTION RATES

FISCAL YEAR	EMPLOYEE	EMPLOYER	STATE
1979-1981	6.00%/7.50%	14.00%	14.00%
1982-1985	6.00%/7.50%	14.04%	14.04%
1986-1988	6.00%/7.50%	13.02%	15.06%

MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

COMPARATIVE SUMMARY OF REVENUE BY SOURCE AND EXPENSES BY TYPE

REVENUES BY SOURCE

FISCAL YEAR	MEMBER CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	INVESTMENT INCOME	STATE CONTRIBUTIONS	TOTAL
06/30/79	357,223	1,008,085	408,390	1,279,286	3,052,984
06/30/80	418,895	1,254,922	478,975	1,551,460	3,704,252
06/30/81	443,312	1,284,954	646,487	1,679,071	4,053,824
06/30/82	498,893	1,369,341	1,061,976	1,762,626	4,692,836
06/30/83	525,904	1,283,056	1,306,008	1,987,188	5,102,156
06/30/84	553,306	1,234,377	1,575,775	2,116,205	5,479,663
06/30/85	577,408	1,306,400	1,893,642	2,101,244	5,878,694
06/30/86	631,450	1,201,219	2,499,684	2,339,066	6,671,419
06/30/87	638,083	1,237,493	2,519,097	2,499,136	6,893,809
06/30/88	671,626	1,254,341	2,559,971	2,577,545	7,063,483

EXPENSES BY TYPE

FISCAL YEAR	BENEFITS	REFUNDS	ADMIN EXPENSES*	OTHER**	TOTAL
06/30/79	2,021,331	44,760	715	(1,543,032)	523,774
06/30/80	2,160,407	64,207	794	42,635	2,268,043
06/30/81	2,300,869	77,823	2,223	(49,810)	2,331,105
06/30/82	2,459,857	79,409	17,742	(8,814)	2,548,194
06/30/83	2,743,215	14,819	15,676	(149,481)	2,624,229
06/30/84	2,926,085	71,241	20,637	(79,040)	2,938,923
06/30/85	3,151,287	108,187	18,734	602,337	3,880,545
06/30/86	3,463,618	79,197	24,191	(2,613)	3,564,393
06/30/87	3,696,827	45,680	26,244	0	3,768,751
06/30/88	3,989,794	94,404	22,849	12,295	4,119,342

*Includes Investment Expense

**Includes Prior Year Adjustments, and Fy 1979 has an adjustment to a full accrual accounting system

MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

ADDITIONS TO NET ASSETS AVAILABLE FOR BENEFITS

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/79	3,052,984	523,774	2,529,210	6,927,152
06/30/80	3,704,252	2,268,043	1,436,209	8,363,361
06/30/81	4,053,824	2,331,105	1,722,719	10,086,080
06/30/82	4,692,836	2,548,194	2,144,642	12,230,722
06/30/83	5,102,156	2,624,229	2,477,927	14,708,649
06/30/84	5,479,663	2,938,923	2,540,740	17,249,389
06/30/85	5,878,694	3,880,545	1,998,149	19,247,538
06/30/86	6,671,419	3,564,393	3,107,026	22,354,564
06/30/87	6,893,809	3,768,751	3,125,058	25,479,622
06/30/88	7,063,483	4,119,342	2,944,141	28,423,763

Comparative Summary of Net Assets Available for Benefits and Total Actuarial Present Value of Total Benefits (in millions of dollars)

FISCAL YEAR	NET ASSETS AVAILABLE	ACTUARIAL PV OF BENEFITS	PERCENTAGE
06/30/80	8.4	54.6	15.4
06/30/82	12.2	66.2	18.4
06/30/84	17.2	71.3	24.1
06/30/86	22.4	76.6	29.2
06/30/88	28.4	76.6	37.1

Looking at the amount of the actuarial present value of benefits can be misleading. Expressing net assets available for benefits as a percentage of the actuarial present value of benefits provides one indication of the extent to which a retirement system is funded. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker, the greater this percentage, the stronger the system.

GAME WARDENS '
RETIREMENT SYSTEM

THIS PAGE INTENTIONALLY LEFT BLANK

GAME WARDENS' RETIREMENT SYSTEM
BALANCE SHEET
JUNE 30, 1988

ASSETS

CASH IN TREASURY	15,850
INTEREST RECEIVABLE	201,189
ACCOUNTS RECEIVABLE	36,022
MORTGAGES	23,460
FEDERAL SECURITIES	1,105,133
CORPORATE SECURITIES	5,668,121
SHORT TERM INVESTMENTS	42,335
INTEREST PURCHASED	2,527
SHORT TERM INVESTMENT POOL	306,900
COMMON STOCK	1,194,543
SECURITIES ON LOAN	221,720
DEFERRED GAINS AND LOSSES	133,869

TOTAL ASSETS	\$8,957,669

LIABILITIES

ACCOUNTS PAYABLE	2,390

NET ASSETS AVAILABLE FOR BENEFITS	\$8,955,279
	=====

FUND BALANCE

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO RETIREES AND BENEFICIARIES	4,668,634
ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO OTHER TERMINATED EMPLOYEES	624
ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS FOR ACTIVE EMPLOYEES:	
MEMBERS CONTRIBUTIONS	1,451,414
MEMBERS INTEREST	956,108
EMPLOYER-FINANCED VESTED	3,727,151
EMPLOYER-FINANCED NONVESTED	159,434

TOTAL PENSION BENEFIT OBLIGATION	\$10,963,365
UNFUNDED PENSION BENEFIT OBLIGATION	(2,008,086)

TOTAL FUND BALANCE	\$8,955,279
	=====

The notes to the financial statements are an integral part of this statement

GAME WARDENS' RETIREMENT SYSTEM
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1988 AND JUNE 30, 1987

	1988	1987
	-----	-----
REVENUES		

RETIREMENT CONTRIBUTIONS		
MEMBER	235,920	193,279
EMPLOYER	170,626	163,032
INTEREST RESERVE BUYBACK	10,146	9,123
INVESTMENT INCOME	768,333	677,313
COMMON STOCK DIVIDENDS	80,559	60,548
FINES AND FORFEITURES	221,358	218,582
	-----	-----
TOTAL REVENUES	\$1,486,942	\$1,321,877
	=====	=====
EXPENSES		

BENEFIT PAYMENTS	432,327	408,698
REFUND OF MEMBER CONTRIBUTIONS	26,333	31,773
INTEREST ON REFUNDS	9,326	15,620
ADMINISTRATIVE EXPENSE	2,390	4,178
INVESTMENT EXPENSE	4,317	1,941
EMPLOYER REFUND		9,335
	-----	-----
TOTAL EXPENSES	\$474,693	\$471,545
	=====	=====
OTHER FINANCING SOURCES - (USES)		

PRIOR YEAR ADJUSTMENTS	1,700	
	-----	-----
EXCESS OF REVENUES OVER EXPENSES	1,013,949	850,332
FUND BALANCE BEGINNING OF YEAR	7,941,330	7,090,998
	-----	-----
FUND BALANCE END OF PERIOD	\$8,955,279	\$7,941,330
	=====	=====

The notes to the financial statements are an integral part of this statement

GAME WARDENS' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

RESOURCES PROVIDED BY:

FROM OPERATIONS:

EXCESS REVENUES OVER EXPENSES	\$1,013,949

TOTAL RESOURCES PROVIDED	\$1,013,949
	=====

RESOURCES USED BY:

NET INCREASE IN WORKING CAPITAL

TOTAL RESOURCES USED	\$1,013,949
	=====

ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL

	YEAR ENDED JUNE 30 1988	1987	INCREASE (DECREASE)
	-----	-----	-----
CURRENT ASSETS:			
CASH	15,850	28,260	(12,410)
ACCRUED INTEREST	207,189	210,879	(3,690)
ACCRUED CONTRIBUTIONS	36,022	12,928	23,094
DEFERRED GAINS AND LOSSES	133,869	126,833	7,036
INVESTMENTS:			
MORTGAGES	23,460	25,329	(1,869)
FEDERAL SECURITIES	1,105,133	1,109,826	(4,693)
CORPORATE SECURITIES	5,668,121	4,428,433	1,239,688
SHORT TERM INVESTMENTS	42,335	0	42,335
INTEREST PURCHASED	2,527	2,188	339
SHORT TERM INVESTMENT POOL	306,900	234,200	72,700
COMMON STOCK	1,194,543	895,805	298,738
SECURITIES ON LOAN	221,720	870,827	(649,107)
	-----	-----	-----
TOTAL CURRENT ASSETS	\$8,957,669	\$7,945,508	\$1,012,161
CURRENT LIABILITIES:			
ACCRUED EXPENSES	2,390	4,178	(1,788)
	-----	-----	-----
TOTAL CURRENT LIABILITIES	2,390	4,178	(1,788)
WORKING CAPITAL	\$8,955,279	\$7,941,330	\$1,013,949
	=====	=====	=====

The notes to the financial statements are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 1988

Game Wardens' Retirement System

A. Description of Plan

1. Plan Membership

The Game Wardens' Retirement System is a state wide retirement plan for all state game wardens and all warden supervisory personnel, whose salary is paid out of the Department of Fish, Wildlife and Park's monies. Employer and employee membership data follows:

Active Employee Members

<u>Employer Members</u>	<u>June 30, 1988</u>	<u>June 30, 1987</u>
State	<u>86</u>	<u>84</u>
Total Active	<u>86</u>	<u>84</u>

Inactive Employee Members

Vested	<u>1</u>	<u>1</u>
Non-Vested	<u>0</u>	<u>0</u>
Total Inactive	<u>1</u>	<u>1</u>

2. Plan Benefits

(a) Pension Benefits

A member may retire with a service allowance after completing twenty years of credited service and attaining the minimum service retirement age of 50. The retirement allowance, commencing the first day of the month and payable monthly for life is calculated using the following formula:

2% of the member's final salary for each year of creditable service.

A member's final salary is the average annual compensation before any deductions and exclusive of maintenance, allowance and expenses, for any three consecutive years.

(b) Deferred Allowance

A member leaving covered employment before attaining retirement age but after completing 10 years of total service, becomes

eligible for a deferred allowance at age 55 providing the member does not withdraw his accumulated contributions. If the member should die before he reaches age 55, the beneficiary can elect a refund or a monthly benefit.

(c) Disability Benefit

A member with any credited service who becomes totally and permanently disabled receives a disability allowance. The allowance is determined as follows:

- 1) members with less than 10 years of service receive an actuarial equivalent of the annuity and the state annuity standing to his credit,
- 2) members with more than 10 years of service, and as a direct result of service in the line of duty, will receive a disability allowance of one half of the final salary

(d) Death Benefit

Upon the death of a member, eligible surviving dependents are entitled to:

- 1) for a work related death, an amount which equals one half of the member's annual salary
- 2) other causes, on completion of 10 years credited service for the member, the beneficiary may elect a monthly annuity based on salary and service of the member, or a refund of all accumulated contributions and interest.

(e) Benefit Changes after Retirement

Benefit changes are granted by the legislatures on an ad-hoc basis to retirees.

3. Funding Requirements

(a) Member Contributions

Member contribution rates are established by statute at 7.9 percent of total payroll and are deducted from member's salary and remitted by participating employer. A member's account is established for member's contributions and earning allocations until a retirement request or a refund for a termination is processed. If a member leaves covered employment before attaining ten year's service credit, the accumulated contributions are refunded to the member or designated beneficiary upon request.

(b) Employers Contributions

The employer contributes 7.15 percent of gross wages as

established by statute. Contributions are filed with the payroll reports by the 15th of the following month.

B. Actuarial Cost Method

Refer to the Actuarial Section as actuarial cost methods are standard for all funds.

C. Funding Requirement Determinations and Actual Contributions

Amounts contributed were in accordance with actuarially computed funding requirement determinations. Employer and employee contributions for the year totaled \$406,546.

D. Summary of Significant Accounting and Financial Reporting Policies

1. Method of Accounting

Refer to Appendix A, as accounting policies are standard for all funds.

2. Valuation of Investments

The following is the listing of investments at fiscal year end:

<u>TYPE</u>	<u>COST</u>	<u>MARKET</u>
STIP	\$ 306,900	\$ 306,900
Mont-Comp	1,194,543	1,750,619
SECURITIES:		
Federal	1,105,133	1,119,195
Corporate	5,668,121	5,617,105
Short Term	42,335	40,460
Mortgages	<u>23,460</u>	<u>23,460</u>
Total Investments	<u>\$8,340,492</u>	<u>\$8,857,739</u>

See Appendix A for investment policies as policies are standard for all funds.

GAME WARDENS' RETIREMENT SYSTEM

MEMBERSHIP

FISCAL YEAR	ACTIVE MEMBERS	INACTIVE MEMBERS	TOTAL
06/30/79	90	3	93
06/30/80	89	3	92
06/30/81	88	3	91
06/30/82	90	1	91
06/30/83	97	1	98
06/30/84	87	1	88
06/30/85	86	1	87
06/30/86	85	3	88
06/30/87	84	1	85
06/30/88	86	1	87

RETIRED MEMBERS AND BENEFIT RECIPIENTS

FISCAL YEAR	RETIREMENT	DISABILITY	SURVIVORS	TOTAL
06/30/79	22	5	3	30
06/30/80	21	5	4	30
06/30/81	24	6	4	34
06/30/82	24	6	4	34
06/30/83	29	6	4	39
06/30/84	27	6	4	37
06/30/85	30	6	4	40
06/30/86	34	6	4	44
06/30/87	34	8	4	46
06/30/88	38	8	4	50

GAME WARDENS' RETIREMENT SYSTEM

COMPARATIVE SUMMARY OF REVENUE BY SOURCE AND EXPENSES BY TYPE

REVENUES BY SOURCE

FISCAL YEAR	MEMBER CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	INVESTMENT INCOME	FINES	TOTAL
06/30/79	97,340	157,155	177,246	0	431,741
06/30/80	104,642	171,400	204,748	165,307	646,097
06/30/81	107,302	190,661	264,362	157,068	719,393
06/30/82	122,325	123,305	334,662	194,425	774,717
06/30/83	161,460	163,389	409,524	233,833	968,206
06/30/84	154,959	157,626	496,613	272,841	1,082,039
06/30/85	151,341	153,074	589,449	260,860	1,154,724
06/30/86	177,302	158,392	787,657	221,265	1,344,616
06/30/87	193,279	172,155	737,861	218,582	1,321,877
06/30/88	246,066	170,626	848,892	221,358	1,486,942

EXPENSES BY TYPE

FISCAL YEAR	BENEFITS	REFUNDS	ADMIN EXPENSES*	OTHER**	TOTAL
06/30/79	166,442	10,716	4,983	(71,897)	110,244
06/30/80	182,577	11,568	4,661	0	198,806
06/30/81	217,164	24,418	5,511	4,891	251,984
06/30/82	222,047	4,920	4,363	125,777	357,107
06/30/83	278,240	16	3,768	(90)	281,934
06/30/84	298,787	325	4,510	(1,763)	301,859
06/30/85	301,159	3,776	4,199	(969)	308,165
06/30/86	383,440	16,353	5,192	(4,536)	400,449
06/30/87	408,698	56,728	6,119	0	471,545
06/30/88	432,327	35,659	6,707	(1,700)	472,993

*Includes Investment Expense

**Includes Prior Year Adjustments, and Fy 1979 has an adjustment to a full accrual accounting system

GAME WARDENS' RETIREMENT SYSTEM

Additions to Net Assets Available for Benefits

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/79	431,741	110,244	321,497	2,501,510
06/30/80	646,097	198,806	447,291	2,948,801
06/30/81	719,393	251,984	467,409	3,416,210
06/30/82	774,717	357,107	417,610	3,833,820
06/30/83	968,206	281,934	686,272	4,520,092
06/30/84	1,082,039	301,859	780,180	5,300,272
06/30/85	1,154,724	308,165	846,559	6,146,831
06/30/86	1,344,616	400,449	944,167	7,090,998
06/30/87	1,321,877	471,545	850,332	7,941,330
06/30/88	1,486,942	472,993	1,013,949	8,955,279

Comparative Summary of Net Assets Available for Benefits and Total Actuarial Present Value of Total Benefits (in millions of dollars)

FISCAL YEAR	NET ASSETS AVAILABLE	ACTUARIAL PV OF BENEFITS	PERCENTAGE
06/30/80	2.9	8.7	33.3
06/30/82	3.8	11.2	33.9
06/30/84	5.3	12.2	43.4
06/30/86	7.1	12.6	56.3
06/30/88	9.0	14.0	64.3

Looking at the amount of the actuarial present value of benefits can be misleading. Expressing net assets available for benefits as a percentage of the actuarial present value of benefits provides one indication of the extent to which a retirement system is funded. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker, the greater this percentage, the stronger the system.

THIS PAGE INTENTIONALLY LEFT BLANK

SHERIFFS '
RETIREMENT SYSTEM

THIS PAGE INTENTIONALLY LEFT BLANK

SHERIFFS' RETIREMENT SYSTEM
BALANCE SHEET
JUNE 30, 1988

ASSETS

CASH IN TREASURY	67,801
INTEREST RECEIVABLE	598,930
ACCOUNTS RECEIVABLE	91,038
FEDERAL SECURITIES	3,163,027
CORPORATE SECURITIES	17,389,625
SHORT TERM INVESTMENTS	169,340
INTEREST PURCHASED	5,131
SHORT TERM INVESTMENT POOL	1,085,800
COMMON STOCK	1,994,909
SECURITIES ON LOAN	932,807
DEFERRED GAINS AND LOSSES	258,465

TOTAL ASSETS	\$25,756,873

LIABILITIES

ACCOUNTS PAYABLE	29,492

NET ASSETS AVAILABLE FOR BENEFITS	\$25,727,381
	=====

FUND BALANCE

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO RETIREES AND BENEFICIARIES	4,312,094
ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO OTHER TERMINATED EMPLOYEES	24,977
ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS FOR ACTIVE EMPLOYEES:	
MEMBERS CONTRIBUTIONS	5,015,014
MEMBERS INTEREST	1,965,064
EMPLOYER-FINANCED VESTED	5,742,831
EMPLOYER-FINANCED NONVESTED	1,102,073

TOTAL PENSION BENEFIT OBLIGATION	\$18,162,053
NET ASSETS AVAILABLE FOR FUTURE BENEFIT CREDITS	7,565,328

TOTAL FUND BALANCE	\$25,727,381
	=====

The notes to the financial statements are an integral part of this statement

SHERRIFFS' RETIREMENT SYSTEM
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1988 AND JUNE 30, 1987

	1988	1987
	-----	-----
REVENUES		

RETIREMENT CONTRIBUTIONS		
MEMBER	780,409	836,232
EMPLOYER	839,509	877,914
INTEREST RESERVE BUYBACK	112	12,527
INVESTMENT INCOME	2,381,155	2,139,477
COMMON STOCK DIVIDENDS	144,935	113,357
	-----	-----
TOTAL REVENUES	\$4,146,120	\$3,979,507
	=====	=====
EXPENSES		

BENEFIT PAYMENTS	440,142	383,982
REFUND OF MEMBER CONTRIBUTIONS	308,302	435,285
INTEREST ON REFUNDS	107,616	135,018
ADMINISTRATIVE EXPENSE	10,011	14,328
INVESTMENT EXPENSE	8,966	5,347
EMPLOYER REFUND	22,955	6,930
	-----	-----
TOTAL EXPENSES	\$897,992	\$980,890
	=====	=====
EXCESS OF REVENUES OVER EXPENSES	3,248,128	2,998,617
FUND BALANCE BEGINNING OF YEAR	22,479,253	19,480,636
	-----	-----
FUND BALANCE END OF PERIOD	\$25,727,381	\$22,479,253
	=====	=====

The notes to the financial statements are an integral part of this statement

SHERIFFS' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

RESOURCES PROVIDED BY:

FROM OPERATIONS:

EXCESS REVENUES OVER EXPENSES \$3,248,128

TOTAL RESOURCES PROVIDED \$3,248,128

RESOURCES USED BY:

NET INCREASE IN WORKING CAPITAL \$3,248,128

TOTAL RESOURCES USED \$3,248,128

ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL

	YEAR ENDED JUNE 30 1988	1987	INCREASE (DECREASE)
CURRENT ASSETS:			
CASH	67,801	104,326	(36,525)
ACCRUED INTEREST	598,930	770,124	(171,194)
ACCRUED CONTRIBUTIONS	91,038	106,406	(15,368)
DEFERRED GAINS AND LOSSES	258,465	153,059	105,406
INVESTMENTS:			
FEDERAL SECURITIES	3,163,027	2,917,149	245,878
CORPORATE SECURITIES	17,389,625	14,561,829	2,827,796
SHORT TERM INVESTMENTS	169,340	0	169,340
INTEREST PURCHASED	5,131	5,872	(741)
SHORT TERM INVESTMENT POOL	1,085,800	739,000	346,800
COMMON STOCK	1,994,909	1,595,937	398,972
SECURITIES ON LOAN	932,807	1,602,327	(669,520)
TOTAL CURRENT ASSETS	\$25,756,873	\$22,556,029	\$3,200,844
CURRENT LIABILITIES:			
ACCRUED EXPENSES	29,492	76,776	(47,284)
TOTAL CURRENT LIABILITIES	29,492	76,776	(47,284)
WORKING CAPITAL	\$25,727,381	\$22,479,253	\$3,248,128

The notes to the financial statements are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 1988

Sheriffs' Retirement System

A. Description of Plan

1. Plan Membership

The Sheriffs' Retirement System is a state wide retirement plan for Montana sheriffs. Employer and employee membership data follows:

Active Employee Members

<u>County Employers</u>	<u>June 30, 1988</u>	<u>June 30, 1987</u>
Beaverhead	8	7
Big Horn	18	18
Blaine	5	6
Broadwater	8	8
Carbon	6	6
Carter	3	2
Cascade	28	34
Chouteau	9	10
Custer	4	4
Daniels	2	2
Dawson	5	6
Fallon	2	1
Fergus	9	9
Flathead	28	30
Gallatin	27	28
Garfield	4	3
Glacier	7	7
Golden Valley	2	3
Granite	6	7
Hill	9	8
Jefferson	8	9
Judith Basin	3	3
Lake	12	12
Lewis & Clark	22	20
Liberty	5	4

Active Employee Members

<u>County Employers</u>	<u>June 30, 1988</u>	<u>June 30, 1987</u>
Lincoln	21	22
Madison	6	6
McCone	2	2
Meagher	2	3
Mineral	4	4
Missoula	34	43
Musselshell	7	8
Park	14	13
Petroleum	1	1
Phillips	4	4
Pondera	7	9
Powder River	2	2
Prairie	2	2
Ravalli	15	15
Richland	7	8
Roosevelt	19	20
Rosebud	18	18
Sanders	6	8
Sheridan	8	7
Silver Bow	1	1
Stillwater	8	8
Sweet Grass	5	5
Teton	6	7
Toole	10	11
Treasure	2	2
Valley	11	10
Wheatland	4	4
Wibaux	2	2
Yellowstone	<u>41</u>	<u>38</u>
Total Active	<u>509</u>	<u>530</u>

Inactive Employee Members

Vested	7	8
Non-Vested	<u>50</u>	<u>50</u>
Total Inactive	<u>57</u>	<u>58</u>

2. Plan Benefits

(a) Pension Benefits

A member may retire with a service allowance after completing twenty-five years of credited service and attaining the minimum service retirement age of 55, early retirement at age 50 with twenty years. The retirement allowance, payable monthly for life is calculated on the following formula:

- 1) for 25 years or less, 2% of final salary for each year of credited service to a maximum of 50% of final salary
- 2) more than 25 years, allowance will increase 1.35% of final salary for each year over 25 to a maximum of 60% of final salary

A member's final average salary is the average of the member's monthly pay during the period of 36 consecutive months of credited service producing the highest monthly average. A member may retire with an early allowance, computed in the same manner as an age and service allowance, but reduced to reflect the earlier retirement after completing twenty years' credited service and attaining age 55.

(b) Deferred Allowance

A member leaving covered employment, involuntarily, before attaining early retirement age but after completing ten years' credited service becomes eligible for a deferred allowance, at age 55, provided the member does not withdraw the accumulated contributions. If the member should become deceased before he reaches age 55, the beneficiary can elect a refund of accumulated contributions or an actuarially reduced monthly allowance.

(c) Disability Benefit

A member with any credited service who becomes totally and permanently disabled receives a disability allowance. The allowance is calculated as follows:

- 1) for members disabled in the line of duty, they will receive one half of final salary
- 2) for members disabled not in the line of duty, they will receive an actuarial equivalent of the member's annuity based on service credits

(d) Death Benefit

Upon the death of a member, eligible surviving dependents are entitled to elect one of the following:

- 1) a lump sum benefit of the total accumulated contributions, or
- 2) a retirement allowance based on 2% of final salary for

each year of service to a maximum of 25 years or the date 25 years of creditable service would be completed, which ever gives the greater benefit

- 3) if the member dies from a duty related problem, then the beneficiary receives one half of final salary

(e) **Benefit Changes after Retirement**

Benefit changes are granted by the legislatures on an ad-hoc basis.

3. Funding Requirements

(a) **Member Contributions**

Member contribution rates are established by statute at 7 percent of total payroll and are deducted from member's salary and remitted by participating employers. A member's account is established for member's contributions and earning allocations until a retirement request or a refund for a termination is processed. If a member leaves covered employment or dies before attaining five year's service credit, the accumulated contributions and interest are refunded to the member or designated beneficiary upon request.

(b) **Employers Contributions**

Each employer contributes 7.67 percent of gross wages as established by statute. Contributions are filed with the payroll reports by the 15th of the following month.

B. Actuarial Cost Method

Refer to Actuarial Section as actuarial cost methods are standard for all funds.

C. Funding Requirement Determinations and Actual Contributions

Amounts contributed were in accordance with actuarially computed funding requirement determinations. Employer and employee contributions for the year totaled \$1,620,030.

D. Summary of Significant Accounting and Financial Reporting Policies

1. Method of Accounting

Refer to Appendix A, as accounting policies are standard for all funds.

2. Valuation of Investments

The following is the listing of investments at fiscal year end:

<u>TYPE</u>	<u>COST</u>	<u>MARKET</u>
STIP	\$ 1,085,800	\$ 1,085,800
MONT-COMP:	1,994,909	3,102,688

<u>TYPE</u>	<u>COST</u>	<u>MARKET</u>
SECURITIES:		
Federal	3,163,027	3,269,838
Corporate	17,389,625	17,234,056
Short Term	<u>169,340</u>	<u>161,840</u>
Total Investments	<u>\$23,802,701</u>	<u>\$24,854,222</u>

See Appendix A for investment policies as policies are standard for all funds.

SHERIFFS' RETIREMENT SYSTEM

MEMBERSHIP

FISCAL YEAR	ACTIVE MEMBERS	INACTIVE MEMBERS	TOTAL
06/30/79	522	29	551
06/30/80	528	28	556
06/30/81	554	26	580
06/30/82	575	16	591
06/30/83	584	15	599
06/30/84	537	14	551
06/30/85	539	13	552
06/30/86	541	22	563
06/30/87	530	58	588
06/30/88	509	50	559

RETIREED MEMBERS AND BENEFIT RECIPIENTS

FISCAL YEAR	RETIREMENT	DISABILITY	SURVIVORS	TOTAL
06/30/79	28	6	4	38
06/30/80	28	8	5	41
06/30/81	30	8	5	43
06/30/82	31	9	6	46
06/30/83	33	9	7	49
06/30/84	33	12	7	52
06/30/85	34	12	9	55
06/30/86	37	13	9	59
06/30/87	46	17	9	72
06/30/88	47	17	10	74

CONTRIBUTION RATES

FISCAL YEAR	EMPLOYEE	EMPLOYER
1979-1981	7.00%	7.55%
1982-1985	7.00%	7.62%
1986-1988	7.00%	7.67%

SHERIFFS' RETIREMENT SYSTEM

COMPARATIVE SUMMARY OF REVENUE BY SOURCE AND EXPENSES BY TYPE

REVENUES BY SOURCE

FISCAL YEAR	MEMBER CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	INVESTMENT INCOME	TOTAL
06/30/79	435,122	467,788	356,359	1,259,269
06/30/80	449,728	455,580	448,345	1,353,653
06/30/81	516,085	560,911	584,511	1,661,507
06/30/82	620,032	668,628	818,235	2,106,895
06/30/83	699,752	749,132	1,080,802	2,529,686
06/30/84	752,392	805,584	1,363,181	2,921,157
06/30/85	784,899	842,733	1,704,246	3,331,878
06/30/86	822,921	892,416	2,370,170	4,085,507
06/30/87	836,232	890,441	2,252,834	3,979,507
06/30/88	780,521	839,509	2,526,090	4,146,120

EXPENSES BY TYPE

FISCAL YEAR	BENEFITS	REFUNDS	ADMIN EXPENSES*	OTHER**	TOTAL
06/30/79	133,780	339,641	629	(144,667)	329,383
06/30/80	165,797	155,065	733	16,052	337,647
06/30/81	154,129	168,935	1,864	64,006	388,934
06/30/82	184,406	270,425	12,419	26,451	493,701
06/30/83	204,439	136,442	11,957	6,794	359,632
06/30/84	222,818	278,658	16,119	(14,727)	502,868
06/30/85	242,054	219,951	14,992	11,372	488,369
06/30/86	306,424	308,047	17,824	34,358	666,653
06/30/87	383,983	577,233	19,675	0	980,891
06/30/88	440,142	415,918	18,977	22,955	897,992

*Includes Investment Expense

**Includes Prior Year Adjustments, and Fy 1979 has an adjustment to a full accrual accounting system

SHERIFFS' RETIREMENT SYSTEM

Additions to Net Assets Available for Benefits

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/79	1,259,269	329,383	929,886	4,728,157
06/30/80	1,353,653	337,647	1,016,006	5,744,163
06/30/81	1,661,507	388,934	1,272,573	7,016,736
06/30/82	2,106,895	493,701	1,613,194	8,629,930
06/30/83	2,529,686	359,632	2,170,054	10,799,984
06/30/84	2,921,157	502,868	2,418,289	13,218,273
06/30/85	3,331,878	488,369	2,843,509	16,061,782
06/30/86	4,085,507	666,653	3,418,854	19,480,636
06/30/87	3,979,507	980,891	2,998,616	22,479,252
06/30/88	4,146,120	897,992	3,248,128	25,727,380

Comparative Summary of Net Assets Available for Benefits and Total Actuarial Present Value of Total Benefits (in millions of dollars)

FISCAL YEAR	NET ASSETS AVAILABLE	ACTUARIAL PV OF BENEFITS	PERCENTAGE
06/30/80	5.7	16.4	34.8
06/30/82	8.6	24.7	34.8
06/30/84	13.2	31.0	42.6
06/30/86	19.5	32.9	59.3
06/30/88	25.7	32.9	78.1

Looking at the amount of the actuarial present value of benefits can be misleading. Expressing net assets available for benefits as a percentage of the actuarial present value of benefits provides one indication of the extent to which a retirement system is funded. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker, the greater this percentage, the stronger the system.

THIS PAGE INTENTIONALLY LEFT BLANK

JUDGES '

RETIREMENT SYSTEM

THIS PAGE INTENTIONALLY LEFT BLANK

JUDGES' RETIREMENT SYSTEM
BALANCE SHEET
JUNE 30, 1988

ASSETS

CASH IN TREASURY	13,186
INTEREST RECEIVABLE	227,503
ACCOUNTS RECEIVABLE	9,777
MORTGAGES	17,703
FEDERAL SECURITIES	1,421,715
CORPORATE SECURITIES	6,577,272
SHORT TERM INVESTMENTS	84,670
INTEREST PURCHASED	3,936
SHORT TERM INVESTMENT POOL	337,700
COMMON STOCK	1,143,634
SECURITIES ON LOAN	214,532
DEFERRED GAINS AND LOSSES	156,445
TOTAL ASSETS	\$10,208,073

LIABILITIES

ACCOUNTS PAYABLE	1,248
NET ASSETS AVAILABLE FOR BENEFITS	\$10,206,825

FUND BALANCE

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO RETIREES AND BENEFICIARIES	5,599,405
ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO OTHER TERMINATED EMPLOYEES	1,237,529
ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS FOR ACTIVE EMPLOYEES:	
MEMBERS CONTRIBUTIONS	1,039,893
MEMBERS INTEREST	556,686
EMPLOYER-FINANCED VESTED	6,305,255
EMPLOYER-FINANCED NONVESTED	361,734
TOTAL PENSION BENEFIT OBLIGATION	\$15,100,502
UNFUNDED PENSION BENEFIT OBLIGATION	(4,893,677)
TOTAL FUND BALANCE	\$10,206,825

The notes to the financial statements are an integral part of this statement

SHERIFFS' RETIREMENT SYSTEM
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1988 AND JUNE 30, 1987

	1988	1987
	-----	-----
REVENUES		

RETIREMENT CONTRIBUTIONS		
MEMBER	780,409	836,232
EMPLOYER	839,509	877,914
INTEREST RESERVE BUYBACK	112	12,527
INVESTMENT INCOME	2,381,155	2,139,477
COMMON STOCK DIVIDENDS	144,935	113,357
	-----	-----
TOTAL REVENUES	\$4,146,120	\$3,979,507
	=====	=====
EXPENSES		

BENEFIT PAYMENTS	440,142	383,982
REFUND OF MEMBER CONTRIBUTIONS	308,302	435,285
INTEREST ON REFUNDS	107,616	135,018
ADMINISTRATIVE EXPENSE	10,011	14,328
INVESTMENT EXPENSE	8,966	5,347
EMPLOYER REFUND	22,955	6,930
	-----	-----
TOTAL EXPENSES	\$897,992	\$980,890
	=====	=====
EXCESS OF REVENUES OVER EXPENSES	3,248,128	2,998,617
FUND BALANCE BEGINNING OF YEAR	22,479,253	19,480,636
	-----	-----
FUND BALANCE END OF PERIOD	\$25,727,381	\$22,479,253
	=====	=====

The notes to the financial statements are an integral part of this statement

JUDGES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

RESOURCES PROVIDED BY:

FROM OPERATIONS:

EXCESS REVENUES OVER EXPENSES	\$1,200,823
-------------------------------	-------------

TOTAL RESOURCES PROVIDED	\$1,200,823
--------------------------	-------------

RESOURCES USED BY:

NET INCREASE IN WORKING CAPITAL	\$1,200,823
---------------------------------	-------------

TOTAL RESOURCES USED	\$1,200,823
----------------------	-------------

ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL

	YEAR ENDED JUNE 30		INCREASE
	1988	1987	(DECREASE)

CURRENT ASSETS:			
CASH	13,186	61,539	(48,353)
ACCRUED INTEREST	227,503	206,466	21,037
ACCRUED CONTRIBUTIONS	9,777	57,969	(48,192)
DEFERRED GAINS AND LOSSES	156,445	51,812	104,633
INVESTMENTS:			
MORTGAGES	17,703	25,092	(7,389)
FEDERAL SECURITIES	1,421,715	1,146,301	275,414
CORPORATE SECURITIES	6,577,272	5,295,858	1,281,414
SHORT TERM INVESTMENTS	84,670	0	84,670
INTEREST PURCHASED	3,936	2,487	1,449
SHORT TERM INVESTMENT POOL	337,700	261,500	76,200
COMMON STOCK	1,143,634	945,131	198,503
SECURITIES ON LOAN	214,532	954,745	(740,213)

TOTAL CURRENT ASSETS	\$10,208,073	\$9,008,900	\$1,199,173
CURRENT LIABILITIES:			
ACCRUED EXPENSES	1,248	2,898	(1,650)

TOTAL CURRENT LIABILITIES	1,248	2,898	(1,650)
WORKING CAPITAL	\$10,206,825	\$9,006,002	\$1,200,823
=====			

The notes to the financial statements are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 1988

Judges' Retirement System

A. Description of Plan

1. Plan Membership

The Judges' Retirement System is a state wide retirement plan for all Montana judges of the district courts or justices of the supreme court hired after December 31, 1984. Judges and justices hired before December 31, 1984 could elect to join JRS or remain with PERS. Employer and employee membership data follows:

Active Employee Members

<u>Employer Members</u>	<u>June 30, 1988</u>	<u>June 30, 1987</u>
State	<u>42</u>	<u>42</u>
Total Active	<u>42</u>	<u>42</u>

Inactive Employee Members

Vested	5	5
Non-Vested	<u>0</u>	<u>0</u>
Total Inactive	<u>5</u>	<u>5</u>

2. Plan Benefits

(a) Pension Benefits

A member may retire with a service allowance after completing five years of credited service and attaining the minimum service retirement age of 65. The retirement allowance is payable monthly for life and must commence on the first day of the month following the member's last day of membership service. A member will receive an allowance which consists of the state annuity plus the member's annuity. The member's annuity is the actuarial equivalent of the aggregate contributions. The state annuity is an amount added to the member's annuity to equal 3 1/3% per year of the final salary for the first 15 years and 1% per year for each additional year of service.

A member's final salary is the current annual salary for that

member.

(b) Deferred Allowance

A member leaving covered employment before attaining retirement age is eligible for a complete refund of all employee accumulated contributions or may elect a monthly allowance upon reaching age 65. If the member should become deceased before retirement the beneficiary can elect a refund or a monthly allowance that is actuarially determined.

(c) Death and Disability Benefits

A member who becomes totally and permanently disabled receives a disability allowance regardless of length of service. The allowance is calculated as follows:

- 1) the disability allowance, if not duty related, will be an amount calculated on the actuarial equivalent of the member's annuity and the state annuity,
- 2) for duty related disability, the member will receive at least one half of the final salary

Upon the death of a member, eligible surviving dependents are entitled to one half the member's final salary from a duty related injury.

(d) Benefit Changes after Retirement

Benefit changes are granted by the legislatures on an ad-hoc basis for members.

3. Funding Requirements

(a) Member Contributions

Member contribution rates are established by statute at 6 percent (members hired prior to July 1, 1983) and 7 percent (members hired after July 1, 1983) of total payroll and are deducted from member's salary and remitted by participating employers. A member's account is established for member's contributions and earning allocations until a retirement request or a refund for a termination is processed. If a member leaves covered employment before attaining five year's service credit, the accumulated contributions are refunded to the member upon request.

(b) Employers Contributions

The State contributes 6 percent of total monthly compensation. Contributions are filed with the payroll reports by the 15th of the following month.

(c) Court Fees

Of the district court fees collected, an amount equal to 31% of the judges salaries will be remitted to the fund, plus payment of 25% the supreme court fees.

B. Actuarial Cost Method

Employer and employee contribution rates are actuarially determined using the entry age normal cost method. In addition, district fees are to be collected to represent 31% of the total salary. Currently, court fees have not generated the revenue. However, this fact does not adversely effect the fund. This method produces a contribution rate consisting of (1) an amount for normal costs (the estimate amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for amortization of the unfunded actuarial accrued liability not to exceed a period of 40 years. Refer to the Actuarial Section as actuarial cost methods are standard for all funds.

C. Funding Requirement Determinations and Actual Contributions

Amounts contributed were in accordance with actuarially computed funding requirement determinations. Employer and employee contributions, plus court fees, for the year totaled \$701,639.

D. Summary of Significant Accounting and Financial Reporting Policies

1. Method of Accounting

Refer to Appendix A, as accounting policies are standard for all funds.

2. Valuation of Investments

The following is the listing of investments at fiscal year end:

<u>TYPE</u>	<u>COST</u>	<u>MARKET</u>
STIP	\$ 337,700	\$ 337,700
Mont-Comp	1,143,634	1,789,188
SECURITIES:		
Federal	1,421,715	1,467,725
Corporate	6,577,272	6,469,065
Short Term	84,670	84,670
Mortgages	<u>17,703</u>	<u>17,703</u>
Total Investments	<u>\$8,101,360</u>	<u>\$10,166,051</u>

See Appendix for investment policies as policies are standard for all funds.

JUDGES' RETIREMENT SYSTEM

MEMBERSHIP

FISCAL YEAR	ACTIVE MEMBERS	INACTIVE MEMBERS	TOTAL
06/30/79	34	1	35
06/30/80	33	1	34
06/30/81	37	1	38
06/30/82	37	1	38
06/30/83	40	1	41
06/30/84	41	1	42
06/30/85	42	1	43
06/30/86	42	5	47
06/30/87	42	4	46
06/30/88	42	5	47

RETIRED MEMBERS AND BENEFIT RECIPIENTS

FISCAL YEAR	RETIREMENT	DISABILITY	SURVIVORS	TOTAL
06/30/79	9	2	1	12
06/30/80	10	3	1	14
06/30/81	10	3	1	14
06/30/82	10	3	1	14
06/30/83	17	2	2	21
06/30/84	17	2	1	20
06/30/85	18	3	0	21
06/30/86	17	3	1	21
06/30/87	17	4	1	22
06/30/88	16	4	1	21

CONTRIBUTION RATES

FISCAL YEAR	EMPLOYEE	EMPLOYER
1979-1983	6.00%	6.00%
1987-1988	6.00%/7.00%	6.00%

JUDGES' RETIREMENT SYSTEM

COMPARATIVE SUMMARY OF REVENUE BY SOURCE AND EXPENSES BY TYPE

REVENUES BY SOURCE

FISCAL YEAR	MEMBER CONTRIB	EMPLOYER CONTRIB	INVESTMENT INCOME	COURT FEES	TOTAL
06/30/79	65,978	65,978	178,094	229,076	539,126
06/30/80	73,222	73,222	207,433	243,740	597,617
06/30/81	81,568	80,969	261,433	279,188	703,158
06/30/82	91,783	91,783	354,097	305,844	843,507
06/30/83	102,936	102,936	435,663	359,719	1,001,254
06/30/84	109,392	113,333	525,520	567,151	1,315,396
06/30/85	119,603	117,331	640,363	608,812	1,486,109
06/30/86	127,395	125,992	829,759	523,060	1,606,206
06/30/87	126,818	122,602	879,367	549,873	1,678,660
06/30/88	128,128	123,595	952,217	449,862	1,653,802

EXPENSES BY TYPE

FISCAL YEAR	BENEFITS	REFUNDS	ADMIN EXPENSES*	OTHER**	TOTAL
06/30/79	147,141	0	2,343	(49,983)	99,501
06/30/80	211,947	0	2,366	3,687	218,000
06/30/81	219,596	0	2,908	(700)	221,804
06/30/82	233,736	0	3,677	600	238,013
06/30/83	329,149	0	3,103	(70,548)	261,704
06/30/84	410,439	0	3,631	0	414,070
06/30/85	417,235	0	3,553	0	420,788
06/30/86	437,240	2,939	4,489	6,495	451,163
06/30/87	436,094	22,766	5,142	(21,834)	442,168
06/30/88	447,269	0	5,763	1	453,033

*Includes Investment Expense

**Includes Prior Year Adjustments, and Fy 1979 has an adjustment to a full accrual accounting system

JUDGES' RETIREMENT SYSTEM

Additions to Net Assets Available for Benefits

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/79	539,126	99,501	439,625	2,441,805
06/30/80	597,617	218,000	379,617	2,821,422
06/30/81	703,158	221,804	481,354	3,302,776
06/30/82	843,507	238,013	605,494	3,908,270
06/30/83	1,001,254	261,704	739,550	4,647,820
06/30/84	1,315,396	414,070	901,326	5,549,146
06/30/85	1,486,109	420,788	1,065,321	6,614,467
06/30/86	1,606,206	451,163	1,155,043	7,769,510
06/30/87	1,678,660	442,168	1,236,492	9,006,002
06/30/88	1,653,856	453,033	1,200,823	10,206,825

Comparative Summary of Net Assets Available for Benefits and Total Actuarial Present Value of Total Benefits (in millions of dollars)

FISCAL YEAR	NET ASSETS AVAILABLE	ACTUARIAL PV OF BENEFITS	PERCENTAGE
06/30/80	2.8	10.0	28.0
06/30/82	3.9	13.7	28.5
06/30/84	5.5	19.2	28.6
06/30/86	7.8	18.6	41.9
06/30/88	10.2	18.6	54.8

Looking at the amount of the actuarial present value of benefits can be misleading. Expressing net assets available for benefits as a percentage of the actuarial present value of benefits provides one indication of the extent to which a retirement system is funded. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker, the greater this percentage, the stronger the system.

THIS PAGE INTENTIONALLY LEFT BLANK

**HIGHWAY PATROLMEN'S
RETIREMENT SYSTEM**

THIS PAGE INTENTIONALLY LEFT BLANK

HIGHWAY PAROLMEN'S RETIREMENT SYSTEM
BALANCE SHEET
JUNE 30, 1988

ASSETS

CASH IN TREASURY	56,317
INTEREST RECEIVABLE	491,854
ACCOUNTS RECEIVABLE	47,022
FEDERAL SECURITIES	2,085,293
CORPORATE SECURITIES	14,655,720
SHORT TERM INVESTMENTS	127,005
INTEREST PURCHASED	4,127
SHORT TERM INVESTMENT POOL	366,600
COMMON STOCK	1,994,506
SECURITIES ON LOAN	692,243
DEFERRED GAINS AND LOSSES	388,724

TOTAL ASSETS	\$20,909,411
--------------	--------------

LIABILITIES

ACCOUNTS PAYABLE	6,427
------------------	-------

NET ASSETS AVAILABLE FOR BENEFITS	\$20,902,984
-----------------------------------	--------------

FUND BALANCE

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO RETIREES AND BENEFICIARIES	19,644,466
ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO OTHER TERMINATED EMPLOYEES	31,822
ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS FOR ACTIVE EMPLOYEES:	
MEMBERS CONTRIBUTIONS	3,349,018
MEMBERS INTEREST	1,876,131
EMPLOYER-FINANCED VESTED	15,300,916
EMPLOYER-FINANCED NONVESTED	565,151

TOTAL PENSION BENEFIT OBLIGATION	\$40,767,504
----------------------------------	--------------

UNFUNDED PENSION BENEFIT OBLIGATION	(19,864,520)
-------------------------------------	--------------

TOTAL FUND BALANCE	\$20,902,984
--------------------	--------------

The notes to the financial statements are an integral part of this statement

HIGHWAY PARTROLMEN'S RETIREMENT SYSTEM
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1988 AND JUNE 30, 1987

	1988	1987
	-----	-----
REVENUES		

RETIREMENT CONTRIBUTIONS		
MEMBER	448,324	464,598
EMPLOYER	843,118	871,692
INTEREST RESERVE BUYBACK		2,716
INVESTMENT INCOME	1,792,864	1,675,093
COMMON STOCK DIVIDENDS	142,127	107,712
LICENSE FEE COLLECTIONS	645,131	654,896
	-----	-----
TOTAL REVENUES	\$3,871,564	\$3,776,707
	=====	=====
 EXPENSES		

BENEFIT PAYMENTS	1,388,129	1,159,078
REFUND OF MEMBER CONTRIBUTIONS	2,840	23,819
INTEREST ON REFUNDS	290	10,203
ADMINISTRATIVE EXPENSE	6,348	8,943
INVESTMENT EXPENSE	8,040	4,297
	-----	-----
TOTAL EXPENSES	\$1,405,647	\$1,206,340
	=====	=====
 OTHER FINANCING SOURCES - (USES)		

PRIOR YEAR ADJUSTMENTS	1,159	
	-----	-----
 EXCESS OF REVENUES OVER EXPENSES	2,467,076	2,570,367
 FUND BALANCE BEGINNING OF YEAR	18,435,908	15,865,541
	-----	-----
FUND BALANCE END OF PERIOD	\$20,902,984	\$18,435,908
	=====	=====

The notes to the financial statements are an integral part of this statement

HIGHWAY PATROLMEN'S RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

RESOURCES PROVIDED BY:

FROM OPERATIONS:

EXCESS REVENUES OVER EXPENSES	\$2,467,076
-------------------------------	-------------

TOTAL RESOURCES PROVIDED	\$2,467,076
--------------------------	-------------

RESOURCES USED BY:

NET INCREASE IN WORKING CAPITAL	\$2,467,076
---------------------------------	-------------

TOTAL RESOURCES USED	\$2,467,076
----------------------	-------------

ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL

	YEAR ENDED JUNE 30 1988	1987	INCREASE (DECREASE)
CURRENT ASSETS:			
CASH	56,317	202,534	(146,217)
ACCRUED INTEREST	491,854	436,808	55,046
ACCRUED CONTRIBUTIONS	47,022	47,719	(697)
DEFERRED GAINS AND LOSSES	388,724	300,453	88,271
INVESTMENTS:			
FEDERAL SECURITIES	2,085,293	2,071,481	13,812
CORPORATE SECURITIES	14,655,720	12,409,158	2,246,562
SHORT TERM INVESTMENTS	127,005	0	127,005
INTEREST PURCHASED	4,127	10,143	(6,016)
SHORT TERM INVESTMENT POOL	366,600	561,500	(194,900)
COMMON STOCK	1,994,506	1,495,299	499,207
SECURITIES ON LOAN	692,243	1,121,542	(429,299)
TOTAL CURRENT ASSETS	\$20,909,411	\$18,656,637	\$2,252,774
CURRENT LIABILITIES:			
ACCRUED EXPENSES	6,427	220,729	(214,302)
TOTAL CURRENT LIABILITIES	6,427	220,729	(214,302)
WORKING CAPITAL	\$20,902,984	\$18,435,908	\$2,467,076

The notes to the financial statements are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 1988

Highway Patrolmen's Retirement System

A. Description of Plan

1. Plan Membership

The Highway Patrolmen's Retirement System is a state wide retirement plan for all Montana highway patrolmen, including supervisors and assistant supervisors. Employer and employee membership data follows:

Active Employee Members

<u>Employer Members</u>	<u>June 30, 1988</u>	<u>June 30, 1987</u>
State	<u>187</u>	<u>194</u>
Total Active	<u>187</u>	<u>194</u>

Inactive Employee Members

Vested	<u>1</u>	<u>1</u>
Non-Vested	<u>8</u>	<u>8</u>
Total Inactive	<u>9</u>	<u>9</u>

2. Plan Benefits

(a) Pension Benefits

A member may retire with a service allowance after completing twenty years of credited service with no age requirement, if employed before July 1, 1985, or after attaining the minimum service retirement age of 50, if hired after July 1, 1985. The retirement allowance is payable monthly for life and must commence on the first day of the month following the member's last day of membership service. A highway patrolman's allowance shall equal 2% of the final average salary per each year of creditable service.

A member's final average salary is the average of the member's monthly pay during the period of 36 months of continuous service, or if less than 36 months, the total compensation divided by number of years.

(b) Deferred Allowance

A member leaving covered employment before attaining retirement age with 5 years of credited service becomes eligible for a complete refund of all employee contributions and interest, or an actuarially reduced annuity at age 60. If the member should become deceased before retirement the surviving spouse or dependent children will receive a monthly allowance. Any other beneficiary will receive a refund of contributions and interest.

(c) Disability Benefit

A member who becomes totally and permanently disabled receives a disability allowance regardless of length of service. The allowance is calculated as follows:

- 1) a duty related disability allowance is equal to one half of the final average salary,
- 2) a non-duty related disability allowance shall be an actuarially determined amount based on years of service

(d) Death Benefit

Upon the employment related death of a member, eligible surviving dependents are entitled to one half the member's final average salary. An allowance actuarially determined shall be paid to the beneficiary for a non-duty related death.

(e) Benefit Changes after Retirement

Benefit changes are granted yearly on the basis of a newly confirmed patrolman's salary but not to exceed 5 percent, unless the patrolman has not attained age 55 or is employed by any other Montana State retirement system.

3. Funding Requirements

(a) Member Contributions

Member contribution rates are established by statute at 7.59 percent of total payroll and are deducted from member's salary and remitted by participating employers. A member's account is established for member's contributions and earning allocations until a retirement request or a refund for a termination is processed. If a member leaves covered employment before attaining five year's service credit, and the required age 50, the contributions and interest are refunded to the member upon request.

(b) Employers Contributions

The State contributes 26.75 percent of total monthly compensation

plus a portion of the fee from drivers' licenses and duplicate drivers' licenses up to one third of all fees. Contributions are filed with the payroll reports by the 15th of the following month.

B. Actuarial Cost Method

Refer to the Actuarial Section as actuarial cost methods are standard for all funds.

C. Funding Requirement Determinations and Actual Contributions

Amounts contributed were in accordance with actuarially computed funding requirement determinations. Employer and employee contributions plus license fees for the year totaled \$1,936,573.

D. Summary of Significant Accounting and Financial Reporting Policies

1. Method of Accounting

Refer to Appendix A, as accounting policies are standard for all funds.

2. Valuation of Investments

The following is the listing of investments at fiscal year end:

<u>TYPE</u>	<u>COST</u>	<u>MARKET</u>
STIP	\$ 366,600	\$ 366,600
Mont-Comp	1,994,506	3,079,117
SECURITIES:		
Federal	2,085,293	2,140,248
Corporate	14,655,720	14,421,345
Short Term	<u>127,005</u>	<u>121,380</u>
Total Investments	<u>\$19,229,124</u>	<u>\$20,128,690</u>

See Appendix A for investment policies as policies are standard for all funds.

HIGHWAY PATROLMEN'S RETIREMENT SYSTEM

MEMBERSHIP

FISCAL YEAR	ACTIVE MEMBERS	INACTIVE MEMBERS	TOTAL
06/30/79	224	2	226
06/30/80	213	2	215
06/30/81	195	2	197
06/30/82	204	1	205
06/30/83	219	1	220
06/30/84	197	2	199
06/30/85	198	2	200
06/30/86	201	2	203
06/30/87	194	9	203
06/30/88	187	10	197

RETIRED MEMBERS AND BENEFIT RECIPIENTS

FISCAL YEAR	RETIREMENT	DISABILITY	SURVIVORS	TOTAL
06/30/79	76	5	15	96
06/30/80	81	5	17	103
06/30/81	92	6	23	121
06/30/82	96	6	22	124
06/30/83	99	6	21	126
06/30/84	104	6	21	131
06/30/85	107	6	21	134
06/30/86	120	6	19	145
06/30/87	129	7	19	155
06/30/88	139	7	18	164

CONTRIBUTION RATES

FISCAL YEAR	EMPLOYEE	EMPLOYER
1979-1981	6.50%	16.00%
1982-1985	6.50%	16.57%
1986-1988	7.59%	26.75%

HIGHWAY PATROLMEN'S RETIREMENT SYSTEM

COMPARATIVE SUMMARY OF REVENUE BY SOURCE AND EXPENSES BY TYPE

REVENUES BY SOURCE

FISCAL YEAR	MEMBER CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS	LICENSE FEE COLLECTIONS	INVESTMENT INCOME	TOTAL
06/30/79	238,069	618,759	0	425,017	1,281,845
06/30/80	249,834	587,375	0	503,074	1,340,283
06/30/81	249,298	579,469	0	617,035	1,445,802
06/30/82	296,117	672,554	0	763,587	1,732,258
06/30/83	399,942	919,137	0	914,574	2,233,653
06/30/84	376,444	826,266	0	1,095,346	2,298,056
06/30/85	385,702	857,476	0	1,287,715	2,530,893
06/30/86	487,531	881,180	650,619	1,653,267	3,672,597
06/30/87	464,598	874,408	654,896	1,782,805	3,776,707
06/30/88	448,324	843,118	645,131	1,934,991	3,871,564

EXPENSES BY TYPE

FISCAL YEAR	BENEFITS	REFUNDS	ADMIN EXPENSES*	OTHER**	TOTAL
06/30/79	428,334	16,119	839	(133,591)	311,701
06/30/80	480,722	12,873	901	1,937	496,433
06/30/81	592,498	34,870	2,195	(1,840)	627,723
06/30/82	714,465	7,671	8,865	(27,301)	703,700
06/30/83	753,153	346	8,205	(1,701)	760,003
06/30/84	805,749	11,815	10,217	(2,823)	824,958
06/30/85	843,029	1,911	9,434	(3,747)	850,627
06/30/86	974,114	1,696	11,431	6,132	993,373
06/30/87	1,159,078	34,022	13,240	0	1,206,340
06/30/88	1,388,129	3,130	14,388	(1,159)	1,404,488

*Includes Investment Expense

**Includes Prior Year Adjustments, and Fy 1979 has an adjustment to a full accrual accounting system

HIGHWAY PATROLMEN'S RETIREMENT SYSTEM

Additions to Net Assets Available for Benefits

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/79	1,281,845	311,701	970,144	5,868,816
06/30/80	1,340,283	496,433	843,850	6,712,666
06/30/81	1,445,802	627,723	818,079	7,530,745
06/30/82	1,732,258	703,700	1,028,558	8,559,303
06/30/83	2,233,653	760,003	1,473,650	10,032,953
06/30/84	2,298,056	824,958	1,473,098	11,506,051
06/30/85	2,530,893	850,627	1,680,266	13,186,317
06/30/86	3,672,597	993,373	2,679,224	15,865,541
06/30/87	3,776,707	1,206,340	2,570,367	18,435,908
06/30/88	3,871,564	1,404,488	2,467,076	20,902,984

Comparative Summary of Net Assets Available for Benefits and Total Actuarial Present Value of Total Benefits (in millions of dollars)

FISCAL YEAR	NET ASSETS AVAILABLE	ACTUARIAL PV OF BENEFITS	PERCENTAGE
06/30/80	6.7	19.9	33.7
06/30/82	8.6	24.1	35.7
06/30/84	11.5	26.7	43.1
06/30/86	15.9	44.9	35.4
06/30/88	20.9	44.9	46.5

Looking at the amount of the actuarial present value of benefits can be misleading. Expressing net assets available for benefits as a percentage of the actuarial present value of benefits provides one indication of the extent to which a retirement system is funded. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker, the greater this percentage, the stronger the system.

THIS PAGE INTENTIONALLY LEFT BLANK

**FIREFIGHTERS' UNIFIED
RETIREMENT SYSTEM**

THIS PAGE INTENTIONALLY LEFT BLANK

FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM
BALANCE SHEET
JUNE 30, 1988

ASSETS

CASH IN TREASURY	21,442
INTEREST RECEIVABLE	583,827
ACCOUNTS RECEIVABLE	3,244,542
FEDERAL SECURITIES	2,731,065
CORPORATE SECURITIES	17,548,448
SHORT TERM INVESTMENTS	127,005
INTEREST PURCHASED	1,310
SHORT TERM INVESTMENT POOL	53,400
COMMON STOCK	1,695,114
SECURITIES ON LOAN	610,066
OTHER INVESTMENTS	131,983
DEFERRED GAINS AND LOSSES	(105,348)

TOTAL ASSETS	\$26,642,854

LIABILITIES

ACCOUNTS PAYABLE	13,634
DEFERRED REVENUE	452

NET ASSETS AVAILABLE FOR BENEFITS	\$26,628,768
	=====

FUND BALANCE

ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO RETIREES AND BENEFICIARIES	40,177,245
ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS TO OTHER TERMINATED EMPLOYEES	272,141
ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS FOR ACTIVE EMPLOYEES:	
MEMBERS CONTRIBUTIONS	4,711,729
MEMBERS INTEREST	1,912,649
EMPLOYER-FINANCED VESTED	32,616,908
EMPLOYER-FINANCED NONVESTED	2,210,663

TOTAL PENSION BENEFIT OBLIGATION	\$81,901,335

UNFUNDED PENSION BENEFIT OBLIGATION	(55,272,567)

TOTAL FUND BALANCE	\$26,628,768
	=====

The notes to the financial statements are an integral part of this statement

FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1988 AND JUNE 30, 1987

	1988	1987
	-----	-----
REVENUES		

RETIREMENT CONTRIBUTIONS		
MEMBER	572,011	553,959
EMPLOYER	1,230,022	1,210,874
STATE	3,090,599	3,033,477
INVESTMENT INCOME	2,150,328	1,915,658
COMMON STOCK DIVIDENDS	102,570	73,295
CITY HELD INVESTMENT	10,710	12,642
	-----	-----
TOTAL REVENUES	\$7,156,240	\$6,799,905
	=====	=====
 EXPENSES		

BENEFIT PAYMENTS	4,012,963	3,730,035
REFUND OF MEMBER CONTRIBUTIONS	42,470	22,306
INTEREST ON REFUNDS	13,381	7,627
ADMINISTRATIVE EXPENSE	13,634	20,905
INVESTMENT EXPENSE	7,900	4,626
EMPLOYER REFUND	3,540	3,540
	-----	-----
TOTAL EXPENSES	\$4,093,888	\$3,789,039
	=====	=====
 OTHER FINANCING SOURCES - (USES)		

PRIOR YEAR ADJUSTMENTS	170	

 EXCESS OF REVENUES OVER EXPENSES	3,062,522	3,010,866
 FUND BALANCE BEGINNING OF YEAR	23,566,246	20,555,380
	-----	-----
FUND BALANCE END OF PERIOD	\$26,628,768	\$23,566,246
	=====	=====

The notes to the financial statements are an integral part of this statement

FIREFIGHTERS' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

RESOURCES PROVIDED BY:

FROM OPERATIONS:

EXCESS REVENUES OVER EXPENSES	\$3,062,522

TOTAL RESOURCES PROVIDED	\$3,062,522
	=====

RESOURCES USED BY:

NET INCREASE IN WORKING CAPITAL	\$3,062,522

TOTAL RESOURCES USED	\$3,062,522
	=====

ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL

	YEAR ENDED JUNE 30		INCREASE
	1988	1987	(DECREASE)

CURRENT ASSETS:			
CASH	21,442	454,422	(432,980)
ACCRUED INTEREST	583,827	437,444	146,383
ACCRUED CONTRIBUTIONS	3,244,542	3,206,391	38,151
DEFERRED GAINS AND LOSSES	(105,348)	(243,205)	137,857
INVESTMENTS:			
LOCAL GOV'T INVESTMENTS	131,983	185,765	(53,782)
FEDERAL SECURITIES	2,731,065	2,399,478	331,587
CORPORATE SECURITIES	17,548,448	11,888,336	5,660,112
SHORT TERM INVESTMENTS	127,005	0	127,005
INTEREST PURCHASED	1,310	37,720	(36,410)
SHORT TERM INVESTMENT POOL	53,400	1,827,300	(1,773,900)
COMMON STOCK	1,695,114	1,195,908	499,206
SECURITIES ON LOAN	610,066	2,197,592	(1,587,526)

TOTAL CURRENT ASSETS	\$26,642,854	\$23,587,151	\$3,055,703
CURRENT LIABILITIES:			
ACCRUED EXPENSES	13,634	20,905	(7,271)
DEFERRED REVENUE	452	0	452

TOTAL CURRENT LIABILITIES	14,086	20,905	(6,819)
WORKING CAPITAL	\$26,628,768	\$23,566,246	\$3,062,522
	=====		

The notes to the financial statements are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 1988

Firefighters' Unified Retirement System

A. Description of Plan

1. Plan Membership

The Firefighters' Unified Retirement System is a state wide retirement plan for first and second class cities and those other cities that wish to adopt the Plan. Employer and employee membership data follows:

Active Employee Members

<u>Employer Members</u>	<u>June 30, 1988</u>	<u>June 30, 1987</u>
Anaconda	8	10
Billings	96	95
Bozeman	22	23
Butte	35	37
Glendive*	23	23
Great Falls	71	71
Havre	17	18
Helena	32	32
Kalispell	19	21
Lewistown*	17	21
Livingston*	12	12
Miles City*	17	18
Missoula	56	58
Red Lodge	<u>4</u>	<u>3</u>
Total Active	<u>429</u>	<u>442</u>

Inactive Employee Members

Vested	5	7
Non-Vested	<u>14</u>	<u>10</u>
Total Inactive	<u>19</u>	<u>17</u>

* Participating members for Glendive, Lewistown, Livingston and Miles City also include any part-paid firefighters.

2. Plan Benefits

(a) Pension Benefits

A member may retire with a service allowance after completing ten years of credited service and attaining the minimum service retirement age of 50. The retirement allowance is payable monthly for life and must commence on the first day of the month following the member's last day of membership service. A firefighter not electing to serve additional years receives a retirement allowance equal to one half his final average salary. If a member has additional service, the allowance will include 1% of the allowance for each year of additional service to a maximum of 60% of the final average salary.

A member's final average salary is the average of the member's monthly pay during the period of 36 months of active service, or over the period of membership of less than 36 months.

(b) Deferred Allowance

A member with less than 10 years service leaving covered employment before attaining retirement age becomes eligible for a complete refund of all employee accumulated contributions plus accumulated interest. With 10 or more years, a member at age 50, may take a monthly allowance based on age and service, provided the contributions are still on file. If the member should become deceased before retirement the beneficiary can elect a refund or a monthly allowance. A supplemental benefit is paid to members or beneficiaries who were receiving payments prior to July 1, 1973. The supplemental benefit is the amount needed to enhance benefits to be equal to one half of a newly confirmed firefighter's salary.

The fund is reimbursed by the State Auditor for all supplemental benefits.

(c) Disability Benefit

A member who becomes totally and permanently disabled receives a disability allowance regardless of length of service. The allowance is calculated as follows:

- 1) members with twenty years of service or less, shall receive an allowance equal to one half the final average salary,
- 2) members with more than twenty years, receive half of the final average salary plus 1% for any additional years to a

maximum of 60% of the monthly compensation last received

(d) **Death Benefit**

Upon the death of a member, eligible surviving dependents are entitled to one half the member's final average salary.

(e) **Benefit Changes after Retirement**

Benefit changes are granted by the legislature on an ad-hoc basis for members retiring after July 1, 1981. For members retiring before July 1, 1973, the monthly allowance must be one half of the salary of a newly confirmed firefighters. For members retiring after July 1, 1973 or hired before July 1, 1981, the service allowance must be one half the compensation paid to a newly confirmed firefighter as provided each year by that City's budget.

3. Funding Requirements

(a) **Member Contributions**

Member contribution rates are established by statute at 6 percent of total payroll and are deducted from member's salary and remitted by participating employers. A member's account is established for member's contributions and earning allocations until a retirement request or a refund for a termination is processed. If a member leaves covered employment before attaining 10 years service credit and age 50, the accumulated contributions are refunded to the member upon request.

(b) **Employers Contributions**

Each employer contributes 13.02 percent of total monthly compensation. Contributions are filed with the payroll reports by the 15th of the following month.

(c) **State Contributions**

The State contributes 22.98 percent of compensation. These payments are made annually but no later than September 1, from the premium tax fund.

B. Actuarial Cost Method

Refer to the Actuarial Section as actuarial cost methods are standard for all funds.

C. Funding Requirement Determinations and Actual Contributions

Amounts contributed were in accordance with actuarially computed funding requirement determinations. Employer, employee and State contributions for the year totaled \$4,892,632.

D. Summary of Significant Accounting and Financial Reporting Policies

1. Method of Accounting

Refer to Appendix A, as accounting policies are standard for all funds.

2. Valuation of Investments

The following is the listing of investments at fiscal year end:

<u>TYPE</u>	<u>COST</u>	<u>MARKET</u>
STIP	\$ 53,400	\$ 53,400
Mont-Comp	1,695,114	2,269,162
SECURITIES:		
Federal	2,731,065	2,817,982
Corporate	17,548,448	17,282,622
Short Term	<u>127,005</u>	<u>121,380</u>
Total Investments	<u>\$22,155,032</u>	<u>\$22,544,546</u>

See Appendix A for investment policies as policies are standard for all funds.

FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM

MEMBERSHIP

FISCAL YEAR	ACTIVE MEMBERS	INACTIVE MEMBERS	TOTAL
06/30/82	454	0	454
06/30/83	451	0	451
06/30/84	395	16	411
06/30/85	398	18	416
06/30/86	403	20	423
06/30/87	442	17	459
06/30/88	429	19	448

RETIRED MEMBERS AND BENEFIT RECIPIENTS

FISCAL YEAR	RETIREMENT	DISABILITY	SURVIVORS	TOTAL
06/30/82	179	104	34	317
06/30/83	185	105	34	324
06/30/84	202	106	34	342
06/30/85	204	106	35	345
06/30/86	212	111	34	357
06/30/87	218	113	34	365
06/30/88	224	109	32	365

CONTRIBUTION RATES

FISCAL YEAR	EMPLOYEE	EMPLOYER	STATE
06/30/82	6.00%	12.00%	12.00%
06/30/83	6.00%	15.00%	15.00%
06/30/84	6.00%	18.00%	18.00%
06/30/85	6.00%	18.00%	18.00%
06/30/86	6.00%	13.02%	22.98%
06/30/87	6.00%	13.02%	22.98%
06/30/88	6.00%	13.02%	22.98%

FIREFIGHTER' UNIFIED RETIREMENT SYSEEM

COMPARATIVE SUMMARY OF REVENUE BY SOURCE AND EXPENSES BY TYPE

REVENUES BY SOURCE

FISCAL YEAR	MEMBER CONTRIB	EMPLOYER CONTRIB	INVESTMENT INCOME	STATE CONTRIBUTIONS	TOTAL
06/30/82	446,475	884,454	982,891	3,375,358	5,689,178
06/30/83	470,055	1,169,642	1,075,488	1,987,917	4,703,102
06/30/84	511,079	1,490,980	1,384,370	2,342,271	5,728,700
06/30/85	520,534	1,549,402	1,651,912	2,431,330	6,153,178
06/30/86	539,886	1,236,716	2,310,399	2,759,542	6,846,543
06/30/87	553,959	1,210,874	2,001,595	3,033,477	6,799,905
06/30/88	572,011	1,230,022	2,263,608	3,090,599	7,156,240

EXPENSES BY TYPE

FISCAL YEAR	BENEFITS	REFUNDS	ADMIN EXPENSES*	OTHER**	Total
06/30/82	2,545,689	23,115	16,331	4,497	2,589,632
06/30/83	2,747,860	15,777	13,191	9,845	2,786,673
06/30/84	2,996,403	48,592	18,788	(21,245)	3,042,538
06/30/85	3,216,785	16,098	17,393	676,148	3,926,424
06/30/86	3,484,636	32,681	20,924	(11,407)	3,526,834
06/30/87	3,730,035	33,473	25,531	0	3,789,039
06/30/88	4,012,963	55,851	21,534	3,370	4,093,718

*Includes Investment Expense

**Includes Prior Year Adjustments

Firefighters' Unified Retirement System established July 1, 1981

FIREFIGHTER' UNIFIED RETIREMENT SYSEM

Additions to Net Assets Available for Benefits

FISCAL YEAR	REVENUES	EXPENSES	ANNUAL ADDITIONS	NET ASSETS AVAILABLE
06/30/82	5,689,178	2,589,632	3,099,546	10,406,326
06/30/83	4,703,102	2,786,673	1,916,429	12,322,755
06/30/84	5,728,700	3,042,538	2,686,162	15,008,917
06/30/85	6,153,178	3,926,424	2,226,754	17,235,671
06/30/86	6,846,543	3,526,834	3,319,709	20,555,380
06/30/87	6,799,905	3,789,039	3,010,866	23,566,246
06/30/88	7,156,240	4,093,718	3,062,522	26,628,768

Comparative Summary of Net Assets Available for Benefits and Total Actuarial Present Value of Total Benefits (in millions of dollars)

FISCAL YEAR	NET ASSETS AVAILABLE	ACTUARIAL PV OF BENEFITS	PERCENTAGE
06/30/82	10.4	78.9	13.2
06/30/84	15.0	87.0	17.2
06/30/86	20.6	89.1	23.1
06/30/88	26.6	89.1	29.9

Looking at the amount of the actuarial present value of benefits can be misleading. Expressing net assets available for benefits as a percentage of the actuarial present value of benefits provides one indication of the extent to which a retirement system is funded. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker, the greater this percentage, the stronger the system.

**VOLUNTEER FIREFIGHTERS '
COMPENSATION ACT**

THIS PAGE INTENTIONALLY LEFT BLANK

VOLUNTEER FIREFIGHTERS' RETIREMENT SYSTEM
BALANCE SHEET
JUNE 30, 1988

ASSETS

CASH IN TREASURY	3,675
INTEREST RECEIVABLE	132,760
ACCOUNTS RECEIVABLE	532,187
FEDERAL SECURITIES	921,768
CORPORATE SECURITIES	3,645,403
SHORT TERM INVESTMENTS	42,335
INTEREST PURCHASED	197
SHORT TERM INVESTMENT POOL	237,500
SECURITIES ON LOAN	434,169
DEFERRED GAINS AND LOSSES	53,348

TOTAL ASSETS	\$6,003,342

LIABILITIES

ACCOUNTS PAYABLE	7,321

NET ASSETS AVAILABLE FOR BENEFITS	\$5,996,021
	=====

FUND BALANCE

ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS FOR ACTIVE EMPLOYEES: EMPLOYER-FINANCED NONVESTED	5,996,021

TOTAL PENSION BENEFIT OBLIGATION	\$5,996,021
UNFUNDED PENSION BENEFIT OBLIGATION	0

TOTAL FUND BALANCE	\$5,996,021
	=====

The notes to the financial statements are an integral part of this statement

VOLUNTEER FIREFIGHTERS' RETIREMENT SYSTEM
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 1988 AND JUNE 30, 1987

	1988	1987
	-----	-----
REVENUES		

RETIREMENT CONTRIBUTIONS		
STATE	532,187	483,790
INVESTMENT INCOME	516,814	534,766
	-----	-----
TOTAL REVENUES	\$1,049,001	\$1,018,556
	=====	=====
 EXPENSES		

BENEFIT PAYMENTS	328,235	502,050
SUPPLEMENTAL INSURANCE PAYMENTS	21,975	21,825
MEDICAL EXPENSES	1,665	15,643
ADMINISTRATIVE EXPENSE	7,321	13,446
INVESTMENT EXPENSE	1,063	1,208
	-----	-----
TOTAL EXPENSES	\$360,259	\$554,172
	=====	=====
 OTHER FINANCING SOURCES - (USES)		

PRIOR YEAR ADJUSTMENTS	58,703	(16,101)
	-----	-----
 EXCESS OF REVENUES OVER EXPENSES	747,445	448,283
 FUND BALANCE BEGINNING OF YEAR	5,248,576	4,800,293
	-----	-----
FUND BALANCE END OF PERIOD	\$5,996,021	\$5,248,576
	=====	=====

The notes to the financial statements are an integral part of this statement

VOLUNTEER FIREFIGHTERS' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 1988

RESOURCES PROVIDED BY:

FROM OPERATIONS:

EXCESS REVENUES OVER EXPENSES	\$747,445
-------------------------------	-----------

TOTAL RESOURCES PROVIDED	\$747,445
--------------------------	-----------

RESOURCES USED BY:

NET INCREASE IN WORKING CAPITAL	\$747,445
---------------------------------	-----------

TOTAL RESOURCES USED	\$747,445
----------------------	-----------

ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL

	YEAR ENDED JUNE 30		INCREASE
	1988	1987	(DECREASE)

CURRENT ASSETS:			
CASH	3,675	4,591	(916)
ACCRUED INTEREST	132,760	123,228	9,532
ACCRUED CONTRIBUTIONS	532,187	483,790	48,397
DEFERRED GAINS AND LOSSES	53,348	59,705	(6,357)
INVESTMENTS:			
FEDERAL SECURITIES	921,768	1,311,721	(389,953)
CORPORATE SECURITIES	3,645,403	3,020,623	624,780
SHORT TERM INVESTMENTS	42,335	0	42,335
INTEREST PURCHASED	197	12,940	(12,743)
SHORT TERM INVESTMENT POOL	237,500	6,500	231,000
SECURITIES ON LOAN	434,169	282,175	151,994

TOTAL CURRENT ASSETS	\$6,003,342	\$5,305,273	\$698,069
CURRENT LIABILITIES:			
ACCRUED EXPENSES	7,321	56,697	(49,376)

TOTAL CURRENT LIABILITIES	7,321	56,697	(49,376)
WORKING CAPITAL	\$5,996,021	\$5,248,576	\$747,445
=====			

The notes to the financial statements are an integral part of this statement

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 1988

Volunteer Firefighters' Compensation Act

A. Description of Plan

1. Plan Membership

The Volunteer Firefighters' Compensation Act is a state wide retirement and disability plan for all volunteer fire companies organized in an unincorporated area, town or village under the laws of the State of Montana.

2. Plan Benefits

(a) Pension Benefits

A volunteer firefighter may retire with a service allowance after completing 20 years of creditable service and attaining the minimum retirement age of 55. The retirement allowance, commencing the first day of July and payable monthly for life, is calculated using the following formula:

total pensions payed may not exceed 95% of growth of the fund
in the previous fiscal year.

Total payment to a retired volunteer firefighter may not exceed \$200 per month.

If a volunteer firefighter is prevented from completing 20 years of creditable service due to any factors beyond his control, he may qualify for partial participation, if he has completed at least 10 years of creditable service. The pension payment will be prorated accordingly.

(b) Disability Payments

If a volunteer firefighter is injured while in the performance of his duties as a firefighter, the compensation will be equal to the amount of the firefighter's reasonable medical expenses resulting from the injury. The total compensation may not exceed \$25,000 per fighter.

(c) Death Benefits

If a volunteer firefighter's death occurs in the line of duty, a benefit of up to \$1,500 is allowed to aid in defraying funeral expenses. The surviving spouse or any children under 18 are allowed a death benefit of \$4,000 for a volunteer firefighter

completing 20 years of creditable service. Payments will terminate when a total of \$4,000 has been paid upon the pension, including any payments made to the volunteer firefighter before his death. For a volunteer firefighter completing between 10 to 20 years of creditable service, the \$4,000 death benefit is prorated.

(d) Group Insurance Payments

To encourage volunteer companies to maintain group insurance for benefits on account of death or injury incurred while in the line of duty as a volunteer firefighter, the payment is equal to \$75 per year for each mobile firefighting unit up to a maximum of two units.

3. Funding Requirements

(a) State Contributions

The State contributes 5 percent of the premium taxes collected from insurers. These payments are made annually but no later than September 1, from the fire insurance premium tax fund.

B. Summary of Significant Accounting and Financial Reporting Policies

1. Method of Accounting

Refer to Appendix A, as accounting policies are standard for all funds.

2. Valuation of Investments

The following is the listing of investments at fiscal year end:

<u>TYPE</u>	<u>COST</u>	<u>MARKET</u>
STIP	\$ 237,500	\$ 237,500
SECURITIES:		
Federal	720,799	1,178,609
Corporate	3,412,203	3,833,857
Short Term	<u>42,335</u>	<u>40,460</u>
Total Investments	<u>\$4,412,837</u>	<u>\$5,290,426</u>

See Appendix A for investment policies as policies are standard for all funds.

VOLUNTEER FIREFIGHTERS' RETIREMENT SYSTEM*

RETIRED MEMBERS AND BENEFIT RECIPIENTS

FISCAL YEAR	RETIREMENT	SURVIVORS	TOTAL
06/30/79	218	4	222
06/30/80	231	3	234
06/30/81	244	1	245
06/30/82	284	2	286
06/30/83	312	2	314
06/30/84	352	2	354
06/30/85	373	4	377
06/30/86	393	2	395
06/30/87	422	0	422
06/30/88	443	1	444

*(P.E.R.D. began administering the Volunteer Firemens' Compensation Act, July 1, 1983)

COMPARATIVE SUMMARY OF REVENUE BY SOURCE AND EXPENSES BY TYPE

REVENUES BY SOURCE

FISCAL YEAR	INVESTMENT INCOME	STATE CONTRIBUTIONS
JUNE 30, 1984	465,458	338,742
JUNE 30, 1985	428,166	338,742
JUNE 30, 1986	471,176	500,000
JUNE 30, 1987	483,790	534,766
JUNE 30, 1988	516,814	532,187

EXPENSES BY TYPE

FISCAL YEAR	BENEFITS	INSURANCE PAYMENTS	ADMIN EXPENSES*	OTHER**	TOTAL
JUNE 30, 198	401,008	18,225	6,939	(368,817)	57,355
JUNE 30, 198	267,869	19,950	6,408	(691)	293,536
JUNE 30, 198	525,851	20,700	7,477	(86,258)	467,770
JUNE 30, 198	517,693	21,825	14,654	16,101	570,273
JUNE 30, 198	328,235	21,975	8,384	57,038	415,632

*Includes Investment Expense

**Includes Prior Year Adjustments

Appendix A:

A. Summary of Significant Accounting and Financial Reporting Policies

1. Method of Accounting

PERS's records and financial statements are prepared using the fund accounting principals based on the accrual method of accounting. The accrual method records expenses when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable.

2. Valuation of Investments

The investments for PERS are invested in four mayor areas: Short Term Investment Pool (STIP), Montana Common Stock Pool (Mont-Comp), Securities and Mortgages.

- (a) STIP's are carried at cost and are currently valued at \$100.00 per unit plus income accrued since the last distribution. Income is distributed on the last business day of the month and PERS elects to have all STIP income automatically reinvested in additional units.
- (b) Mont-Comp is carried at cost for financial reporting purposes. Mont-Comp's unit value is calculated once a month at the close of the last business day of the month and is based upon the market value of the equity holdings. PERS can only buy or sell units on the first business day of the month. Investment income is distributed to PERS on the last business day of the month. This distribution is based on the full accrual method. Therefore, all dividends and interest accrued during the month are based on the number of outstanding units.
- (c) Securities are recorded at book value (original costs adjusted for discount and premium amortization). Premium and discounts are amortized using the straight-line method over the life of the securities. Bond swaps involve trading one bond for another bond having the same par value for the purpose of enhancing PERS's portfolio content and yield. Gains or losses from bond swaps are deferred and amortized over the shorter of either the remaining life of the bonds sold or the life of the replacement bonds purchased.
- (d) Mortgages have an average life of eight years which is used for the amortization of mortgage discounts.

THIS PAGE INTENTIONALLY LEFT BLANK

Actuarial Section



Montana Travel Promotion Photo

Hendrickson, Miller & Associates, Inc.

ACTUARIAL CONSULTANTS

Securities Building • 101 N. Last Chance Gulch
P.O. Box 823 • Helena, Montana 59624
Telephone 406/442-5222

February 10, 1989

Lawrence Nachtsheim
Administrator
Public Employees' Retirement Division
1712 9th Avenue
Helena, MT 59620

Dear Larry:

Our firm conducts actuarial valuations of the following seven retirement systems of the Public Employees' Retirement Division:

1. Public Employees' Retirement System
2. Firefighters' Unified Retirement System
3. Municipal Police Officers' Retirement System
4. Sheriffs' Retirement System
5. Highway Patrol Retirement System
6. Game Wardens' Retirement System
7. Judges' Retirement System

The actuarial valuations are conducted as of July 1 of each even-numbered year. The latest actuarial valuations were conducted as of July 1, 1988.

The actuarial funding method and the actuarial assumptions are described in actuarial reports which are prepared in conjunction with each valuation. The actuarial assumptions are reviewed biennially and compared to the actual experience of the respective system. Changes in these assumptions are made from time to time when warranted.

Based upon the data provided by the Public Employees' Retirement Division and the actuarial assumptions stated in the reports, we certify that each of the seven retirement systems is in sound financial condition and the valuations were conducted in accordance with generally accepted actuarial principles and techniques.

Sincerely,



Alton P. Hendrickson, ASA

rs

Actuarial Assumptions

A. Mortality Rates

The mortality rates for males and females are based upon the 1983 Group Annuity Mortality Table, and apply to both active members and those receiving benefits. These rates have longer life expectancies than the 1971 Group Annuity Table used in the previous valuation.

B. Disability Rates

The disability rates for males and females are based upon the 1983 Disability Table and anticipate fewer disabilities than the previous rates as published by the Railroad Retirement Board.

C. Withdrawal Rates

The withdrawal rates are based upon the actual experience of the system as determined in the 1987 withdrawal experience study.

D. Salary Scale

The rates of salary increase are based upon an assumed compounded growth rate of 6.5% per annum.

E. Investment Earnings

It was assumed that the investment earnings would be 8% compounded annually.

F. Administrative Expenses

It was assumed that the system would incur no administrative expenses beyond those provided by the investment earnings in excess of 8% and the \$1 per member charge for PERS. The supplemental payments for MPORS and FURS are not considered for this valuation.

G. Termination Benefits

It was assumed that all members terminating with less than the required years of service would receive an immediate withdrawal of their member contributions with interest, when applicable. It was further assumed that vested members would select the most advantageous benefits under the given assumptions.

Benefit Obligations And Historical Trend Information

The pension obligation is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient

assets to pay benefits when due and make comparisons with other public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the System.

The Pension benefit obligation was determined as part of the actuarial valuation at July 1, 1988. Significant actuarial assumptions at June 30, 1988 include:

- (a) a rate of return on investments of 8% compounded annually
- (b) projected salary increases of 6.5%

At June 30, 1988 the unfunded pension obligation is presented on the face of each System's balance as follows with the historical trend information.

PERS

Actuarial Present Value of Projected Benefits:

Inactives:		
Retirees and beneficiaries	\$385,214,873	
Other terminated employees	<u>10,260,727</u>	
Total Inactives		\$395,475,600
Current Employees:		
Accumulated employee contributions	\$254,276,402	
Employer financed vested	270,575,526	
Employer financed non-vested	<u>27,765,497</u>	
Total Current Employees		\$552,617,425
Total Pension Benefit Obligation		\$948,093,025
Net Assets Available for Benefits:		
Cost		<u>\$692,744,348</u>
Total Unfunded Pension Benefit Obligation		<u>\$255,348,677</u>

Trend Information:

	As of June 30		
	<u>1988</u>	<u>1987</u>	<u>1986</u>
Net assets available for benefits as % of PBO	80.4%	75.2%	71.5%
Unfunded PBO as % of annual covered payroll	54.8%	51.8%	48.6%
Employer contributions as % of annual covered payroll	6.417%	6.417%	6.417%

MPORS

Actuarial Present Value of Projected Benefits:

Inactives:

Retirees and beneficiaries	\$ 35,018,365	
Other terminated employees	<u>9,229</u>	
Total Inactives		\$ 35,027,594

Current Employees:

Accumulated employee contributions	\$ 6,559,776	
Employer financed vested	19,185,807	
Employer financed non-vested	<u>2,475,720</u>	
Total Current Employees		\$ 28,221,303

Total Pension Benefit Obligation		\$ 63,248,897
----------------------------------	--	---------------

Net Assets Available for Benefits:

Cost		\$ 28,423,763
------	--	---------------

Total Unfunded Pension Benefit Obligation		\$ <u>34,825,134</u>
---	--	----------------------

Trend Information:

	As of June 30		
	<u>1988</u>	<u>1987</u>	<u>1986</u>
Net assets available for benefits as % of PBO	44.9%	42.0%	38.7%
Unfunded PBO as % of annual covered payroll	355.7%	347.21%	345.6%
Employer contributions as % of annual covered payroll	15.06%	15.06%	15.06%

GWRS

Actuarial Present Value of Projected Benefits:

Inactives:

Retirees and beneficiaries	\$ 4,668,634	
Other terminated employees	<u>624</u>	
Total Inactives		\$ 4,669,258

Current Employees:

Accumulated employee contributions	\$ 2,425,252	
Employer financed vested	3,727,151	
Employer financed non-vested	<u>141,704</u>	
Total Current Employees		\$ 6,294,107

Total Pension Benefit Obligation		\$ 10,963,365
----------------------------------	--	---------------

Net Assets Available for Benefits:

Cost		\$ 8,955,279
------	--	--------------

Total Unfunded Pension Benefit Obligation		\$ <u>2,008,086</u>
---	--	---------------------

Trend Information:

	As of June 30		
	<u>1988</u>	<u>1987</u>	<u>1986</u>
Net assets available for benefits as % of PBO	81.7%	77.2%	73.0%
Unfunded PBO as % of annual covered payroll	91.1%	107.8%	121.9%
Employer contributions as % of annual covered payroll	7.015%	7.015%	7.015%

SRS

Actuarial Present Value of Projected Benefits:

Inactives:

Retirees and beneficiaries	\$ 4,312,094	
Other terminated employees	<u>24,977</u>	
Total Inactives		\$ 4,337,071

Current Employees:

Accumulated employee contributions	\$ 7,128,397	
Employer financed vested	5,742,831	
Employer financed non-vested	<u>953,754</u>	
Total Current Employees		\$ <u>13,824,982</u>

Total Pension Benefit Obligation \$ 18,162,053

Net Assets Available for Benefits:

Cost \$ 25,727,381

Total Unfunded Pension Benefit Obligation \$ (7,565,328)

Trend Information:

	As of June 30		
	<u>1988</u>	<u>1987</u>	<u>1986</u>
Net assets available for benefits as % of PBO	141.7%	128.7%	118.5%
Unfunded PBO as % of annual covered payroll	(67.5%)	(43.9%)	(26.5%)
Employer contributions as % of annual covered payroll	7.67%	7.67%	7.67%

JRS

Actuarial Present Value of Projected Benefits:

Inactives:

Retirees and beneficiaries	\$ 5,599,405	
Other terminated employees	<u>1,237,529</u>	
Total Inactives		\$ 6,836,934

Current Employees:

Accumulated employee contributions	\$ 1,482,983	
Employer financed vested	6,305,255	
Employer financed non-vested	<u>475,330</u>	
Total Current Employees		\$ <u>8,263,568</u>

Total Pension Benefit Obligation \$ 15,100,502

Net Assets Available for Benefits:

Cost \$ 10,206,825

Total Unfunded Pension Benefit Obligation \$ 4,893,677

Trend Information:

	As of June 30		
	<u>1987</u>	<u>1987</u>	<u>1986</u>
Net assets available for benefits as % of PBO	67.6%	61.2%	55.8%
Unfunded PBO as % of annual covered payroll	236.0%	272.7%	297.0%
Employer contributions as % of annual covered payroll	6.0%	6.0%	6.0%

HPRS

Actuarial Present Value of Projected Benefits:

Inactives:		
Retirees and beneficiaries	\$ 19,644,466	
Other terminated employees	<u>31,822</u>	
Total Inactives		\$ 19,676,288
Current Employees:		
Accumulated employee contributions	\$ 5,256,642	
Employer financed vested	15,300,913	
Employer financed non-vested	<u>533,661</u>	
Total Current Employees		\$ 21,091,216
Total Pension Benefit Obligation		\$ 40,767,504
Net Assets Available for Benefits:		
Cost		\$ 20,902,984
Total Unfunded Pension Benefit Obligation		\$ <u>19,864,520</u>

Trend Information:

	As of June 30		
	<u>1987</u>	<u>1987</u>	<u>1986</u>
Net assets available for benefits as % of PBO	51.3%	47.8%	44.3%
Unfunded PBO as % of annual covered payroll	405.2%	391.6%	377.5%
Employer contributions as % of annual covered payroll	17.049%	17.134%	16.572%

FURS

Actuarial Present Value of Projected Benefits:

Inactives:		
Retirees and beneficiaries	\$ 40,177,245	
Other terminated employees	<u>272,141</u>	
Total Inactives		\$ 40,449,386
Current Employees:		
Accumulated employee contributions	\$ 6,822,886	
Employer financed vested	32,616,908	
Employer financed non-vested	<u>2,012,155</u>	
Total Current Employees		\$ 41,451,949
Total Pension Benefit Obligation		\$ 81,901,335
Net Assets Available for Benefits:		
Cost		\$ 26,628,768
Total Unfunded Pension Benefit Obligation		\$ <u>55,272,567</u>

Trend Information:

	As of June 30		
	<u>1987</u>	<u>1987</u>	<u>1986</u>
Net assets available for benefits as % of PBO	32.5%	30.4%	28.4%
Unfunded PBO as % of annual covered payroll	572.0%	577.3%	581.4%
Employer contributions as % of annual covered payroll	22.980%	22.980%	22.980%

THIS PAGE INTENTIONALLY LEFT BLANK

600 copies of this public document were published at an estimated cost of \$3.50 per copy, for a total cost of \$2,100.00, which includes \$2,100.00 for printing and \$.00 for distribution.